

Intel's stock price has fallen sharply since its announcement last week that it had agreed to sell its 10% stake in the semiconductor company to the Japanese government. The company's share price fell from \$40 to \$25 in a matter of days. Analysts say the sale is a sign of Intel's financial difficulties and its need for cash. The Japanese government is expected to complete the purchase by the end of the year.

ent uptren

Textiles moved higher in the market today, with some gains in the cotton and wool sectors. The market is expected to remain volatile in the coming weeks, with prices likely to fluctuate significantly. Analysts are watching for signs of a recovery in the textile industry, which has been hit hard by global economic challenges.

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FINANCIAL TIMES

WEEKEND DECEMBER 3/DECEMBER 4 1994

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Japan's economy shows strong signs of recovery

Japan's economy is showing the first strong signs of recovery after a rise in consumer spending and a surprise pick-up in corporate investment. Gross domestic product grew at an annualised rate of 3.7 per cent in the three months to September this year, the government's Economic Planning Agency said. Page 24 and Lex.

Stim 44m firm on IRA weapons: Stim 44m, the political wing of the IRA, is prepared to discuss the crucial question of the disposal of IRA weapons, but only in the context of an overall settlement in Northern Ireland, Mitchell McLaughlin, Stim 44m's northern chairman, said. Page 24

South Korea set to approve car project: The South Korean government is poised to approve Samsung's project to become the country's fifth car manufacturer. The company plans to start production in 1996. Page 9

Lloyds expects £200m premiums rise: Lloyds of London expects to underwrite insurance policies worth about £2.2m (£15.1m) next year, about £200m higher than in 1994, a survey shows. Page 5

Chechen threaten nuclear plants: Chechen leaders threatened widespread terrorism in Russia, including attacks on nuclear power stations, if Russian troops massing on the border invaded their breakaway state. Page 2

Football falls further on news from US: The FT-SE 100 index moved a step closer to the 3,000 level yesterday as the London equity market reacted to economic news from the US. At the end of another session of low volumes but high anxiety the Footsie suffered a further 22.3 decline to close at 3,017.3, a two-day fall of 64.1. The latest bout of weakness left the index down 16.2 in a week that included what was perceived by most equity market strategists as a broadly neutral Budget. Page 21; Editorial Comment, Page 6; Markets, Page 16; Lex, Page 24

Achille Lauro sinks: The blazing cruise ship Achille Lauro sank after an explosion as it was being towed towards Kenya. Its 1,000 passengers and crew are being taken to Djibouti, Kenya and Oman.

Hiroshima stamps anger Japanese: Japanese politicians reacted angrily yesterday to a plan by the US to issue postage stamps depicting the explosion of the atomic bomb over Hiroshima. Page 3

Indonesian companies lose on derivatives: Indah Kiat and Tjiwi Kimia, Indonesia's two largest paper and pulp manufacturers, admitted they lost \$47.5m in derivatives trading. Page 9

Ariane crash may prompt premiums rise: The crash of a European Ariane rocket and its US satellite payload into the sea off French Guyana could prompt a rise in insurance premiums for next year's satellite launches. Page 3

Pearson expands in Spain: UK Media and entertainment group Pearson took control of Spanish publishing group Reunión with the purchase of a further 10 per cent of the company. Page 9

Attwoods loses to Browning-Ferris UK waste group Attwoods surrendered to the hostile \$291m (£241m) cash bid from Browning-Ferris Industries of the US. Page 8; Lex, Page 24

Ulster Bank seeks Dublin stockbroker: Ulster Bank, Irish subsidiary of National Westminster Bank of the UK, has applied for approval under Irish monopolies and mergers legislation to buy the second largest Dublin stockbroker, NCB, for £25.5m (£33.5m). Page 9

Price price confirmed: The UK government confirmed that PJB Mining, its preferred bidder for the English regions of British Coal, will pay £98m (£162m) less than its offer price of £214m. Page 8; Lex, Page 24

Five bids likely for rail extensions: At least five consortia, including some overseas companies, are expected to submit preliminary bids for the £100m-£150m (£162m-£213m) extension of the London Docklands Light Railway. Page 4

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GEC raises stakes in battle with BAe for VSEL

By Bernard Gray and Robert Peston

GEC, which is battling with British Aerospace for control of the submarine maker VSEL, has sent selected MPs a document damning BAe's record, in spite of giving the Ministry of Defence an undertaking that it would not enter into a public war of words with Britain's biggest defence contractor.

The paper, which attacks BAe's record as a prime contractor and complains that in other respects

the company is "not particularly distinguished", is a response to a BAe bid document published last week through the Stock Exchange, which strongly attacked GEC.

GEC's document has been labelled private and confidential and has not been made available to shareholders, unlike BAe's, though it answers point-by-point BAe's bid document. The Take-over Panel, which polices take-over battles, permits private lobbying of MPs but would want any important financial information

to be circulated to shareholders during the course of the bid. GEC is convinced it is not in breach of takeover panel rules. GEC slams BAe's financial record, saying that in the past 3½ years BAe has had a cash outflow of £2.5bn, and made £1.5bn in provisions. In the same period BAe has had operating profits which are less than 1 per cent of its £38m turnover.

The document also says: "The effect of BAe's acquisition of VSEL would be that those resources [VSEL's net cash of

£288m] would be absorbed in covering the cash outflow arising from the large losses accruing in other parts of its business." It adds that the deal would "weaken [VSEL's] financial, and therefore, competitive position".

Mr Dick Evans, BAe's chief executive, said last night: "This smacks of hole in the corner tactics. I'm astounded that if GEC wants to make these claims they haven't been circulated to VSEL's shareholders."

GEC also contrasts its own position as "an international group with manufacturing businesses throughout the world" with the "negligible overseas manufacturing capability" of BAe.

The paper says: "GEC estimates that half of BAe's total defence business and some two-thirds of its defence exports are dependent on a single Middle Eastern customer [Saudi Arabia through the Al Yamamah contract]."

The document counters BAe's assertions that a GEC takeover of

VSEL would go against the MoD's competition policy, and it also denies that shipbuilding would be left largely in the hands of one company.

The document is part of the behind-the-scenes war of words being conducted by the two companies in what many observers think is a dry run for a takeover bid for BAe by GEC.

Before GEC countered BAe's original bid worth \$478m for VSEL with its own offer worth

Continued on Page 24

Drop in US jobless fuels pressure for rise in rates

By George Graham in Washington

Strong job creation last month cut the US unemployment rate to its lowest level in four years, prompting speculation that the Federal Reserve might raise interest rates again this month to cool down the economy.

The Labour Department said non-farm payroll employment expanded by 350,000 in November, bringing the unemployment rate down to 5.6 per cent from 5.8 per cent in October and 6.7 per cent at the start of the year.

The number of unemployed people has fallen by 1.4m since January to 7.3m. Although comparisons with earlier years are difficult because of a radical change this year in the way the data are collected, an unemployment rate below 5.6 per cent was last recorded in 1990.

The employment figures gave a fillip to the dollar which broke through the ¥100 level for the first time in two months, on speculation of an interest rate increase.

The strength of the employment market led some Wall Street economists to warn that the Fed might decide that last

month's three quarters of a percentage point increase in short-term interest rates will not be enough to slow the economy to a pace that can be sustained without an acceleration of inflation. Even before yesterday's fall, most Fed governors believed that unemployment was at or below the "natural rate" at which they would expect wage pressures to build. Fed officials say they want to slow the economy to a sustainable growth rate of about 2.5 per cent a year, but the Commerce Department this week said that the economy grew at a 3.9 per cent pace in the third quarter.

Although the view is now spreading that the Fed could raise rates as early as December 20, most economists still expect it to be delayed until next year.

At the close in London, the dollar was one yen higher at ¥100.4 and a ¼ pipping up against the D-Mark at DM1.5778.

The stronger dollar also helped the benchmark 30-year US Treasury bond which, in early New York afternoon trading, had risen

Continued on Page 24
Wall St, Page 11; Bonds, Page 14; Currencies, Page 13; Lex, Page 24



Time to start talking: UN envoy Yasushi Akashi consults his watch as he waits to speak with Bosnian government leaders near Sarajevo. Next to him is Gen Bertrand de Lapresle, UN military commander in former Yugoslavia and Gen Sir Michael Rose, UN commander in Bosnia. Photo: Reuters

Nato to continue flights over Bosnia

By Bruce Clark in Brussels, Laura Silber in Belgrade and Michael Littlejohns in New York

Nato yesterday pledged to continue military flights over Bosnia, in spite of a request from the UN to scale them down, in the latest in a series of rows between the two international organisations.

The dispute erupted as foreign ministers from the US, Russia, Britain, France and Germany - the so-called contact group - met last night in Brussels in an attempt to revive the stalled peace process.

The Nato flights, designed to police the skies over Bosnia, highlight the military alliance's

intention to remain active in the region. However, UN officials have accused Nato of "cowboy tactics" in the air which have complicated negotiations with the Bosnian Serbs.

In a bid to salvage the UN mission in Bosnia and secure the release of some 500 detained peacekeepers, Mr Yasushi Akashi, the UN special envoy, met Bosnian Serb leaders in Pale, their stronghold above Sarajevo. He said last night that they had agreed to release the peacekeepers detained after Nato strikes two weeks ago.

Mr Warren Christopher, the US secretary of state, was concerned earlier yesterday about the impact of upgraded Serb anti-

aircraft missiles on the policing flights. He said there could be some "operational changes", though he was not referring to the UN's advice.

The contact group meeting last night was designed to set the next stage in international efforts to force the warring parties to compromise. Before the meeting, Mr Douglas Hurd, the UK foreign secretary, and Mr Alain Juppé, his French counterpart, had planned to go the Serbian capital of Belgrade tomorrow.

Mr Christopher said "diplomatic tools" were the only alternative to huge military intervention or western abandonment of the problem. Military intervention to secure victory for the Bos-

nian government would require "several hundred thousand" troops, including US forces.

The UN in New York denied last night that Nato had been formally asked to scale back air operations over Bosnia, but there were indications of concern that allied pilots may be too venturesome. However, Nato sources confirmed unofficially that a such a request had been made.

Nato officials said Mr Marrack Goulding, a senior UN official, had made an informal approach to Nato, asking the alliance to scale down or desist from its air activities temporarily.

Former communist nations hail Nato expansion, Page 2

UBS offers gold bars with a money back guarantee

By Ian Rodger in Zurich

Here it is, a product for the gold bug who has become nervous about the tendency of his favourite metal to lose value - a gold bar with a money back guarantee.

Union Bank of Switzerland, one of the leading players in the world gold bullion market, yesterday launched the bars with a view to putting a bit of zing back in the retail gold market.

The bars come in weights of 100 grams, 500 grams and one kilogram, and the rules are simple. The buyer pays today's market price for the gold - about \$380 per ounce - plus a premium of about 2 per cent, giving a price of about \$1,245 for the 100g bar, \$6,230 for 500g and \$12,460

for 1kg. UBS guarantees to repay buyers at least \$360 per ounce at any time up to the year 2000. Meanwhile, the bar is always negotiable, perhaps at a higher price if the market moves in the right direction.

The advantage to the bank is obvious. It can shift some non-interest bearing gold in its coffers and replace it with interest-bearing money. And even if the gold price does go down - as Mr Andy Smith, UBS gold analyst is predicting - a simple hedging operation should enable the bank to avoid losses.

"It is definitely not our intention to lose money," says Mr Bernhard Schnellmann, UBS vice-president of precious metals marketing in Zurich.

Who is likely to buy the bars?

Mr Schnellmann believes "there is a certain indefinable mood in the investor community in favour of buying physical gold".

He adds: "It is not the big institutions, but the ordinary man in the street and some wealthy individuals. It comes with certain fears that they have."

UBS research shows that these fears are strongest in western Europe, even Switzerland. "People feel that the time is not too bad for buying gold, but they have all either been hurt or they know someone who has been hurt by the falls in the gold price in recent years," he explains. These bars are designed to overcome that final hesitation.

Gold prices, Page 14

STOCK MARKET INDICES			
FT-SE 100	3,017.3	(-22.3)	
Yield	4.22		
FT-SE Eurotrack 100	1,342.92	(-1.53)	
FT-SE-A All-Share	1,501.44	(-0.69%)	
Nikkei	10,968.30	(-15.30)	
New York Composite	3,700.20	(-0.67)	
Dow Jones Ind Ave	3,700.20	(-0.67)	
S&P Composite	448.74	(-0.18)	
US LUNCHTIME RATES			
Federal Funds	5.25%		
3-m Treas Bill	5.75%		
Long Bond	9.42%		
Yield	7.94%		
NORTH SEA OIL (Aargau)			
Brut 15-day (Jan)	\$16.54	(17.1)	
GOLD			
New York Comex (Feb)	\$370.0	(32.3)	
London	\$378.0	(30.0)	
LONDON MONEY			
3-mo Interbank	6.25%	(6.25)	
Libor 12m	10.25%	(10.25)	

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NEWS: INTERNATIONAL

Chechens threaten Russian nuclear plants

By John Lloyd in Grozny,
John Thornhill in Moscow
and Agencies

Chechen leaders yesterday threatened widespread terrorism in Russia, including attacks on nuclear power stations, if Russian troops massing on the border invaded their breakaway state.

Russian President Boris Yeltsin has so far held back from his threat to intervene. The deadline of his ultimatum to declare an emergency situation in the rebel Caucasian republic ran out on Thursday.

Mr Ruslan Shamsuddin, the Chechen foreign minister, said: "Our interests would be nuclear power stations, in attacking them. Why not? We would do it if attacked, believe me."

The Russian government appears to be taking the threat of Chechen terrorism very seriously. Security outside government buildings and railway stations in Moscow has been noticeably tightened since the crisis escalated.

Mr Yeltsin said on Tuesday he would crack down hard unless the Chechen government and opposition forces stopped fighting and freed Russian prisoners within 48 hours.

But the threats have petered out in a welter of contradictory statements from senior officials including Mr Yeltsin himself.

The first sign he might be rethinking his strategy came on Thursday when a senior presidential source told Itar-Tass news agency that the Kremlin leader would not sign a decree imposing a state of emergency on Chechnya in the very near future.

The suspensions seemed to be confirmed when, in a bizarre move, Mr Yeltsin's original ultimatum to the two warring sides was reissued without the key phrase about introducing a state of emergency.

In Grozny, the capital of Chechnya, a delegation of Russian parliamentary deputies, who are trying to negotiate the release of Russian soldiers captured during battles last week-end, were humiliated by General Dzhokar Dudayev, the Chechen president, by being kept waiting all day while a succession of supporters were ushered into his presence.

But after meeting the president the deputies said they were optimistic that some of the 21 captured Russian sol-

diers would be freed. "In principle the authorities have no objections. I think they will be freed eventually," parliamentary deputy Mr Anatoly Shadrin said. However, Mr Shamsuddin claimed: "We will never give back the Russian prisoners, never."

No bombing raids of the kind

which have been a feature of the past three days and which have destroyed the military and civil airports at Grozny were made yesterday.

According to Reuters, at least nine people have been killed in air strikes on Grozny although a lower figure of seven deaths was given by the

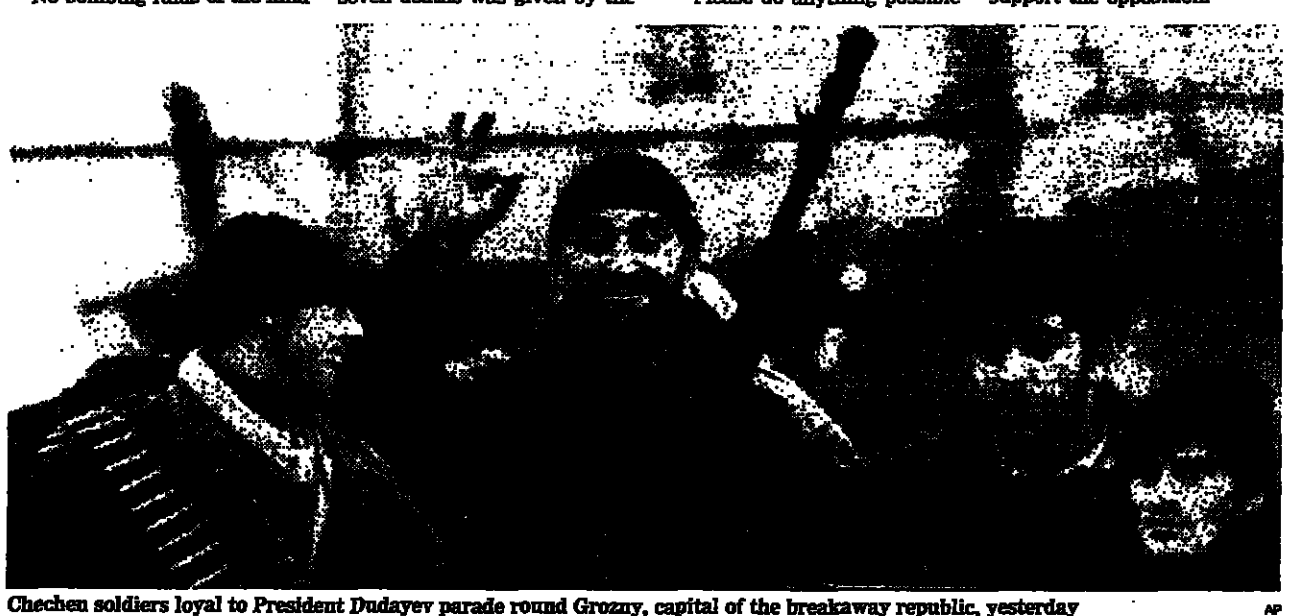
Interfax news agency.

The Russian delegation, led by Mr Sergei Yushakov, chairman of the Duma defence committee, and composed of deputies who disapprove of the threatened use of force against Chechnya, appealed to Mr Yeltsin to halt the air strikes.

"Please do anything possible

to stop the bombing of Grozny. If this happens again while we are here then what happens next?" they said in an appeal after meeting Gen Dudayev.

Mr Shadrin said there was little doubt the aeroplanes were Russian and said the Kremlin had sent in Russian troops to support the opposition.



Chechen soldiers loyal to President Dudayev parade round Grozny, capital of the breakaway republic, yesterday

INTERNATIONAL NEWS DIGEST

Lebanese PM offers to resign after disputes

Mr Rafik Hariri, chief architect of Lebanon's multi-billion-dollar rebuilding project, yesterday tendered his resignation as prime minister to President Elias Hrawi. Mr Hariri's office said his decision was linked to a "misleading media and political campaign" against him. The move follows weeks of disagreement between Mr Hariri and senior cabinet members over the future of the 811m (\$87m) rebuilding effort now under way. But political observers in Beirut said the move might be a gambit to force greater co-operation from the cabinet, and particularly Mr Nabih Berri, the powerful speaker of the assembly, with whom Hariri aides spoke of "irreconcilable differences".

Lebanon's financial markets did not appear panicked by the news. The Lebanese pound traded around L.P.1,656 to the dollar, largely unchanged. Mark Nicholson, Cairo

Lott becomes Republican whip

Senator Alan Simpson of Wyoming was yesterday voted out of his position as the Republican whip in the US Senate, in favour of Senator Trent Lott of Mississippi. The whip is second in command to Senator Bob Dole, who was duly elected yesterday to lead the Republican majority in the new Congress. The acid-tongued Mr Simpson would have been expected to hold the fort loyally for Mr Dole if he should leave Washington to campaign for the presidency, while Mr Lott, an articulate believer in supply-side economics, is viewed as an ally of Mr Dole's old enemy Senator Phil Gramm of Texas, who is also seeking the presidency. On the Democratic side, Senator Tom Daschle of South Dakota was elected to succeed retiring Senator George Mitchell as the Democratic leader in the Senate. George Graham, Washington

Anger over A-bomb stamp

Japanese politicians reacted angrily yesterday to a plan by the US to issue postage stamps depicting the explosion of the atomic bomb over Hiroshima. The US postal service said on Thursday that it would mark the 50th anniversary of the end of the second world war next year by selling a set of commemorative stamps, one of which shows a composite image of mushroom clouds created by the wartime bombings and nuclear tests after the war. The Japanese government has been angered by the words on the stamp: "Atomic bombs hasten war's end."

Mr Yohel Kono, the foreign minister, indicated that Japan might protest formally to the US about the decision. "I want to convey Japanese feelings to the US in some form," he said yesterday. The chief cabinet secretary, Mr Kozo Igarashi, said: "The dropping of the atom bomb was an historical fact in itself but it also took the lives of more than 300,000 Japanese people." Gerard Baker, Tokyo

Alcatel CIT chief freed

The French Court of Appeal decided yesterday to free Mr Pierre Guichet, chairman of the telecommunications company Alcatel CIT, from jail after two weeks of imprisonment without charge. Mr Guichet, 62, was jailed on November 21 by investigating magistrate Judge Jean-Marie d'Huy, who is probing alleged overbilling of France Telecom for an amount estimated by French newspapers to be as much as FF2.2bn (€328m). Mr Guichet and Alcatel have denied the allegations, saying the case arose from misunderstanding of the company's accounting practice. Reuter, Paris

Taiwan holds local elections

Taiwan goes to the polls today to elect mayors for its two largest cities and a provincial governor in what are widely seen as the most important elections since the island threw off the yoke of military dictatorship seven years ago. These are the most senior positions yet to be decided by popular vote, and today's poll marks the penultimate stage in a process of democratisation that will culminate in presidential elections in early 1996. Debate has raged over a gamut of issues, starting with the fundamental issue of Taiwan's future relationship with China, but feelings have also been running high over the need to wipe out vote-buying and garbage collection in Taipei. In the election for provincial governor, the ruling Kuomintang's well-entrenched and well-financed party machine is expected to carry the day. Laura Tyson, Taipei

Warning on Chinese inflation

Peoples Daily, the Communist Party newspaper, yesterday warned that China's high inflation was "not only harmful but also dangerous". It called for efforts to bring price rises under control. The newspaper, commenting on a four-day "economic work conference" held in Beijing this week, said China faced serious economic problems, including an income gap between urban and rural areas, problems with state enterprises and "excessive price rises" which threatened social stability. Consumer prices in China's 35 big cities rose by 27 per cent in the 12 months to October. This compares with an inflation target for the year of 10 per cent.

Mr Zhu Rongji, the senior vice premier in charge of the economy, told the conference that China's main economic tasks for the new year were to fight inflation, deepen state enterprise reform, improve agricultural production, and improve technological management. Tony Walker, Beijing

Court order for Nadir bank

Turkish Cypriot authorities have obtained a court order against a bank owned by fugitive tycoon Mr Asil Nadir for defaulting on \$4.2m in deposits for a pension fund, Mr Ozkan Murat, minister of labour and social security, said on Thursday. "We have taken legal action to make sure this money is not lost. We are not sure if the assets of the bank will be enough to meet this amount, but we have taken action to save the money of the workers," Mr Ozkan said.

Under the court order, Mr Nadir will continue to operate the Kibris Endustri Bankast but will not be able to sell its assets. Mr Murat said the pension fund had deposited money to earn interest in the bank owned by Mr Nadir, who fled to his native northern Cyprus in May 1993 after jumping bail in Britain to avoid facing trial on charges of theft and false accounting over his collapsed fruit-to-electronics conglomerate Polly Peck. Reuter, Nicosia

Walesa rebuffed on taxes

The Polish parliament yesterday overrode President Lech Walesa's veto and refused to cut next year's tax rates. The president, who is running for re-election at the end of next year, argued that the original tax rates of 20, 30 and 40 per cent should be restored in 1995 as they were pushed up to 21, 33 and 45 per cent this year as a temporary measure. The tax cut would have cost the government 12,000bn zlotys in budget revenues next year and widened the planned 87,800bn zlotys deficit - 3.3 per cent of GDP - already agreed with the International Monetary Fund.

The vote saw the government coalition headed by Mr Waldemar Pawlak, the Peasant party leader, win the backing of the left wing opposition Labour Union (UP). The UP had made its support conditional on government promises that an 18 per cent tax rate would be introduced in 1995 for the lowest paid. If Mr Walesa successfully votes the budget itself when it emerges from parliament early next year, this would lead to parliamentary elections, which are not due until 1997. Christopher Bobinski, Warsaw

East hails prize of fast Nato expansion

By Bruce Clarke in Brussels

Former communist nations in central Europe yesterday hailed the prospect of early incorporation as full members of Nato, despite the strong objections that Russia has signalled.

Western nations also reaffirmed their plan mapped out on Thursday for rapid expansion programme, and they hoped misunderstandings with Russia could be cleared up soon. Mr Andrzej Olechowski, Polish foreign minister, told a meeting of the 16 Nato countries and their former adversaries in the Warsaw pact that there was no reason why anybody should object to Nato's enlargement.

"Nato is not a war machine, and applying cold war terms to Nato is a misunderstanding or an expression of bad faith," the minister said.

Western nations continued to express astonishment yesterday at Russia's last-minute refusal on Thursday to launch a long-awaited co-operation programme with Nato. Moscow said its refusal was a gesture of concern over Nato plans for accelerated expansion.

Western officials suggested yesterday that the dramatic gesture by Mr Andrei Kozirev, the Russian foreign minister, was a carefully prepared piece of theatre. They said the outlines of Nato plans for faster enlargement were well known to Russia, despite Mr Kozirev's claim that he had found dubious elements in the Nato plan "at first glance".

However western officials said they were confident that misunderstandings with Moscow would in due course be cleared up. "Co-operation between Russia and Nato is too important to let slip," said Mr Douner Hurd, the British foreign secretary.

East European nations expressed understanding of the west's need to accommodate Russia and they avoided directly criticising Russia themselves. But several said privately they viewed Russia's behaviour as a bad omen for future security arrangements in Europe. US officials said they had been led to believe at the US-Russia summit in September Moscow would not object to a "gradual and transparent" enlargement procedure.

Italy discusses bringing lira back into ERM

By Robert Graham in Rome

A growing body of opinion in Italy is urging the government to bring the lira back inside the European exchange rate mechanism before the end of the year.

The Berlusconi government has yet to take a position on the issue but is expected to make informal soundings with its EU partners at Monday's meeting of European finance ministers.

Under the Maastricht Treaty timetable for the next stage of monetary union, EU governments must meet at the beginning of 1997 to consider which currencies have respected their parties over the previous two years. Thus under the current regime if Italy fails to rejoin by January, it would be technically excluded.

The issue has been quietly discussed within the government, the opposition and by business leaders for some six weeks. But it was highlighted last weekend by the public call to rejoin the ERM from both Mr Giovanni Agnelli, the head of Fiat, and Mr Carlo De Benedetti, the head of Olivetti.

These captains of industry have since been followed by Mr Nino Andreatta, the economic spokesman for the Popular party and a former treasury and foreign minister, who put the case at its cruelest this week: "It's not a bad idea for a country like ours, which has an identity crisis every time someone talks of Italy ending up in the B league or the slow

lane of Europe, to remind people of obligations undertaken and the need to respect them."

Yesterday Mr Luigi Grillo, deputy minister charge of the economy in the prime minister's office, went public and backed Mr Andreatta's logic adding: "There are the conditions to consider a re-entry of the lira into the European monetary system."

The lira was forced to leave the ERM to float during "black September" of 1992. From being L850 against the D-Mark it has of late come close to L1,040. With a 15 per cent fluctuation band now permitted, supporters of the return argue the lira is already under-valued and could seek to have a parity of L1,000 against the D-Mark.

Until recently the French were strongly against Italy re-entering at such a parity, having enjoyed the benefits of a competitive devaluation of over 30 per cent. But Paris' resistance is reported to have softened as the French economy picks up, while in Brussels Mr Jacques Delors, the outgoing EU president, favours the idea.

Within the government Mr Antonio Martino, the foreign minister, is hostile. Mr Lamberto Dini, the treasury minister and a key figure in any decision, is said to be still listening to different points of view. But the treasury is anxious to latch on to any signal that might encourage the market to have more faith in the lira and permit domestic interest rates to fall.

Sighs of relief as Rome pension deal stops strike

Robert Graham watches Silvio Berlusconi's U-turn

The Berlusconi government yesterday got away with a remarkably benign press after making big concessions to the unions over pension reform on Thursday.

Only one newspaper headline trumpeted a union victory - L'Unita, the influential daily of the former communist Party of the Democratic Left. The rest concentrated on the peaceful end to the "war of the pensions", allowing the government ample space to demonstrate that the deal was a triumph of common sense.

Such a reaction was not surprising because the immediate consequence of Thursday's wide-ranging agreement between the government and the unions was to call off yesterday's planned eight-hour general strike, allowing everyone a sigh of relief.

An increasingly weak premier Silvio Berlusconi could scarcely afford to heighten political tension by being seen as the cause of social unrest. The union leadership worried that strike action against the government could backfire and that they would be unable to control the growing militancy of grass-roots members.

But averting a general strike cannot easily conceal the extent of the government's retreat or the degree to which the original calculations for the 1995 budget have been thrown into question.

Mr Berlusconi said on October 14 at the time of the first general strike against pension reform and cost-cutting measures in the 1995 budget: "Not

one, nor 10 nor 100 general strikes will alter the budget."

The unions demanded that cuts in pensions benefits should not be linked to the budget but treated separately as part of a broader reform of the costly state pensions system. They also wanted the budget altered to be "socially just", with more funds devoted to job creation in the south, professional training and needy families as well more attention to research and development.

After two months' argument and protest, Mr Berlusconi has been obliged to accept these sets of demands - almost in their entirety. Pension reform will be treated separately from the current 1995 budget law in parliament and the government has agreed to allow up to June 30 next year to formulate pension proposals.

The turn-around is all the more extraordinary because the budget has already been approved by the chamber of deputies. This means the unions have imposed change even when legislation has been endorsed by one chamber of parliament, and reinforced their role as interlocutors where reforms are concerned.

The unions are committed to overhauling the pay-as-you-go pensions system which this year will run a deficit of L94,000bn (€30bn) - equivalent to 99 per cent of the total budget deficit. But their views are bound to be partial and they are likely to resist the two

main structural changes which until this week were part of the budget: penalising early retirement through reduced benefits and cutting the rate at which pensions accrue annually, from 2 to 1.75 per cent.

Among the main burdens on Italy's pensions system - and therefore the budget - are easy early retirement terms and the exceptionally high rate at which pensions benefits accrue. Until the reform is clarified, uncertainty will surround any calculation of future budget deficits and the consequent borrowing requirements. The uncertainty is the greater because of the weak state of the right-wing coalition and the fractious nature of parliament.

In the meantime the government has to present a convincing explanation of how it will fund the estimated L4,000bn extra cost of the unions deal without affecting the 1995 budget objectives. The objective of holding the deficit down to L138,000bn (8 per cent of GDP) looks ever more questionable without additional measures.

At present the budget makes no provision for at least L7,000bn in additional interest payments on the debt stock because of the 0.5 percentage point rise in the discount rate in August. Nor does it take account of the L5,000bn-L10,000bn needed to treat recent flood damage in the north or more seriously the L2,000bn cost of a constitutional court sentence ordering the payment of arrears on certain minimum pensions.

Drugs claim on Gibraltar border

By Tom Burns in Madrid

Spain yesterday countered Britain's claims of harassment at the border with Gibraltar with allegations that the Rock had become a big drugs smuggling and money laundering centre.

"Gibraltar's narcotics business is industrially organised. The situation has degenerated to a very serious level," official sources in Madrid said.

Long traffic queues have caused the British police to conduct searches and police drivers whether their vehicles are properly equipped. On Thursday Mr David Davis, the UK's minister for Europe, summoned Spain's ambassador in London, Mr Albert Aza, to the Foreign Office and expressed the British government's "strong concern" over

"intrusive" checks by Spanish police at the frontier.

The row has surfaced as foreign secretary Mr Douglas Hurd prepares to meet Mr Javier Solana, Spain's foreign minister, in London this month to discuss Spanish claims to the British colony and has added an embarrassing new twist to existing tensions between Whitehall and Mr Joe Bossano, the independent-minded chief minister of Gibraltar.

Attempts by the UK to supervise the colony's finances have prompted Mr Bossano to allege that London is strangling Gibraltar's attempt to achieve self-sufficiency as an offshore banking base. It is now feared that the virtual siege on Gibraltar, reminiscent of the blockade imposed by the

Franco dictatorship, could serve to strengthen Mr Bossano as he campaigns for "a hands off the Rock" policy and seeks UK counter measures against Spain.

Gibraltar residents say double checks on vehicles leaving the colony, as two teams of Spain's paramilitary civil guards corps laboriously conduct searches and question drivers, have caused queues of up to six hours at the border.

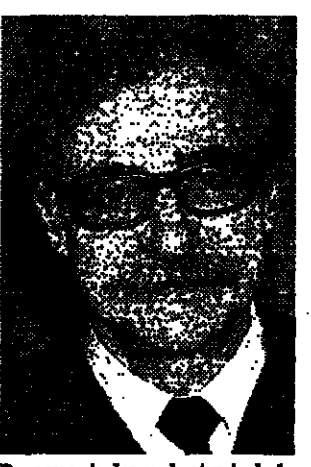
"It's ludicrous, a never-ending list of things you have to have which changes at the whim of the police," said a Gibraltar barrister. "Apart from spare fan belts and all that, the car's first aid kit has to include surgical gloves and if you wear spectacles you have to have a second pair."

In London, the Spanish

ambassador was told the checks "could not seriously be presented as a search for drugs and tobacco".

A Madrid official said the border controls were creating a detailed data base on those entering Spain. "We are obtaining very useful information which is directly linked to illicit activities in Gibraltar. Smuggling is tolerated by the Gibraltar authorities and London looks the other way."

Last Monday the civil guard intercepted 43 fast launches based in Gibraltar trying to land tobacco and drugs on three nearby Spanish beaches. Officials in Madrid say Gibraltar risks a Mafia-type takeover. There is certainly little use other than that of illegal activities for the 200-odd fast launches, painted black to help



Bossano: independent-minded

avoid detection at night, that are moored in Gibraltar's marina. "The illegal activities have increased, we have not seen a serious single effort to curb them, and they have to stop," the officials said.

Gatt chief hails trade deal ratification

By Frances Williams in Geneva and
George Graham in Washington

Mr Peter Sutherland, director-general of the General Agreement on Tariffs and Trade, yesterday hailed the US Senate vote to ratify the Uruguay Round world trade accords as showing US commitment to multilateralism and a good sign for the new World Trade Organisation.

"This is a day for particular celebration," he said in Geneva. US ratification was also significant in ensuring a WTO starting date of January 1, due to be endorsed by an implementation conference on December 8.

Meanwhile, President Bill Clinton said yesterday that he hoped he could "continue the spirit of co-operation with the new Congress that we've seen on Gatt this week."

The final margin of victory was much wider in both houses of Congress than earlier wrangling had suggested. The Gatt bill passed in the House of Representatives on Tuesday by 288 votes to 146, and in the Senate on Thursday by 76 votes to 24. Gatt opponents did only slightly better on a crucial Senate procedural vote, failing nine votes short of blocking the measure by raising a technical budget point.

Mr Clinton was yesterday afternoon due to meet Senator Robert Dole and Congressman Newt Gingrich, who will lead the majority Republicans when the new Congress convenes in January.

Although Mr Dole and Mr Gingrich voiced reservations about Gatt before throwing their support behind it, conservative analysts say traditional Republican free trade views will prove

stronger than the temptation to obstruct Mr Clinton.

"I believe that certainly Newt Gingrich has turned the corner on free trade, and I hope that Bob Dole has as well," said Mr Kim Holmes, who heads the foreign policy team at the Heritage Foundation, a right-wing think-tank.

One of the first trade issues to face the new Congress will be the issue of giving the president a free hand under fast track procedures to negotiate the admission of Chile to the North American Free Trade Agreement, which links the US with Canada and Mexico.

Dismissing some fears about loss of US sovereignty to the WTO as "arrant nonsense", Mr Sutherland said he was confident that the WTO's disputes procedures would be "unimpeachable". This was a reference to the judicial

review panel insisted on by Mr Dole in return for his endorsement of the Uruguay Round deal.

Mr Sutherland also welcomed the "good news from Japan" whose lower parliamentary chamber - approved the pact just hours after the Senate vote.

This leaves the EU and Canada among the Quad group of leading traders which have still to ratify. Both have said they are confident of doing so by the end of the year.

The great majority of Gatt's 124 members are now expected swiftly to follow the US lead. Over 40 nations had ratified by yesterday and Mr Sutherland said the target was "at least 100" by December 30. Only Switzerland, Poland, Liechtenstein and Cyprus foresee a delay into 1995.

NEWS DIGEST

Chinese PM
to resign
disputes

at chief architect of rebuilding project, and the prime minister in the end will be the one to resign. The dispute is over the future of the office of the prime minister, which is a key position in the government. The prime minister is responsible for the day-to-day running of the government, while the president is the head of state. The prime minister is also responsible for the foreign policy of the country. The dispute is over the future of the office of the prime minister, which is a key position in the government. The prime minister is responsible for the day-to-day running of the government, while the president is the head of state. The prime minister is also responsible for the foreign policy of the country.

Republican

of Wyoming was elected to the US House of Representatives. The Republican Party is a major political party in the United States. It is known for its conservative policies and its support for free-market economics. The party has a long history of success in the United States, and it is currently the majority party in both the House and the Senate.

A bomb stamp

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Chief freed

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Ariane crash
may prompt
premium rise

By David Sichen in Paris and Ralph Atkins in London

The crash of a European Ariane rocket and its US satellite payload into the sea off French Guyana on Thursday could prompt a rise in insurance premiums for next year's satellite launches.

The insurance industry expects that the accident will mean satellite insurance underwriters will make a loss this year. The crash could also open the way for emerging launch projects in Russia and China.

Worldwide claims on satellite insurance policies so far this year total \$736m (\$470m), according to Mr Simon Clapham, lead satellite underwriter at Lloyd's of London. That includes more than \$200m resulting from the crash of the Ariane rocket.

Mr Clapham said the latest setback to Ariane would lead to a reappraisal of rates for planned 1995 satellite launches where insurance cover has not yet been agreed. "Underwriters are likely to increase rates for these programmes," he said.

Insurance satellites is a notoriously volatile business but has been very profitable for many insurers. Lloyd's insurance market underwrites the biggest share of world satellite policies. About \$38m of the cost of the latest claim was placed at Lloyd's. The latest crash, caused by failure of a third-stage motor, according to Mr Charles Bigot, ArianeSpace president, brought to seven the

number of Ariane rockets lost in 70 space shots since 1979. The previous failure on January 24 this year was also caused by problems with the third stage. Failures have sometimes led to delays as long as 16 months.

US-based PanAmSat said it planned to launch a replacement within a year for the lost satellite. "It's not a major setback. We have a long-term outlook, and we are looking at the next 10-20 years," said Mr Andrew Jordan, vice-president for the Asia-Pacific region.

Hughes Aircraft Company, the designer of PAS-3, had already built components for a spare PAS-3 that could be completed within a year, Mr Jordan said. The satellite was to have covered North and South America, Europe and Africa.

Arianespace engineers will seek to recover the wreckage to see why a new version of the rocket's third stage, utilising a new mix of oxygen and hydrogen, failed to ignite properly after the first two stages had brought it to an altitude of 218 kilometres. "We hope to be back in business soon," said Mr Bigot at the Kourou launch site in French Guyana.

PanAmSat-4, which will cover the area between Hong Kong and Europe, including India and Africa, will be launched on schedule in April or May 1995, he said. Ariane rockets have put 94 satellites and 24 auxiliary loads into orbit successfully. ArianeSpace has contracts worth FF17.1bn (\$2bn) to put another 38 satellites into orbit.

Swimmers' reputation
takes a dive

Tony Walker describes the embarrassment of China's drug-shamed sports leaders

China's sports commissars binged the national swimmer earlier this year when rival countries alleged that the phenomenally successful Chinese swimmers at the Rome world championships used performance-enhancing drugs. Then, Zhou Ming, a Chinese swimming coach, rounded on western critics, saying: "I think the doping problem is a sort of political problem now because in the sports world it's always the domain of western people. They just can't tolerate that Asian peoples can be good in sport."

But now the truth, of an epidemic of drug-taking among Chinese swimmers, is dribbling out. Reports appeared this week that eight of them tested positive at the recent Asian Games in Hiroshima, and statements from Beijing have become contrite. Officials are still finding ways of blaming the west. "Illegal drug abuse in sport is originally a western invention, but since China opened its doors to the outside world 15 years ago, such a bad thing seeped into China, too, just like prostitution," Mr Yuan Jiawei, deputy secretary general of China's swimming committee, said this week.

It is a moot point whether the world's oldest profession was ever completely eradicated from China, but the scourge of drug-taking in sport has certainly found its way to the Middle Kingdom, Chinese protestations to the contrary.

Now that the cat is out of the bag, Chinese officialdom is seeking to put the best complexion on things but the doping scandal is a considerable embarrassment for a country whose sporting aspirations are so entwined with its political and commercial ambitions.

China lost face this week in the eyes of the world sporting fraternity and in the process its credibility was harmed in a broader sense, at a moment when it is seeking closer integration with the international community - from membership of world trade organisations such as Gatt to a more active role in arms control.

All these international commitments rest to an extent on trust and playing by the rules. China is in the process of trying to convince a sceptical world it will uphold Gatt principles, and honour undertakings to continue liberalising its economy. "This is the last thing they would have wanted at this stage since international sporting success is part of their attempts to build an

image of a comprehensively successful and all-round China," said a western official in Beijing this week.

But the official also noted that the problem of drug-taking in sport is far from confined to China; although few other nations have suffered the embarrassment of having 11 of their athletes, including world-record breaking swimmers, involved in a doping scandal all at once.

Before the latest reports emerged from Tokyo, drug-taking among Chinese swimmers had already become a problem. In the past two years five had tested positive, which equalled the number of positive tests by FINA, the international swimming federation, in the previous 22 years.

Inevitably, suspicion that such champion swimmers as Lu Bin and Yang Aihua, gold medalists in Rome, had taken steroids is casting doubt over the performance of other Chinese athletes such as women distance runners who have re-written the record books in the past year.

Ma Juren, the flamboyant Chinese athletics coach, claims that his "army" of women runners owe their outstanding performances to a potion made from crushed turtle, and other exotic ingredients, but rival athletes are sceptical.

Compounding Beijing's embarrassment is the fact that at the Asian Games in early October, Chinese sports officials had prevailed on the 43-member Olympic Council of Asia to condemn the western media over the drug-taking allegations at the Rome swimming championships.

Wei Jishong, China's OCA delegate, welcomed the stand of fellow Asians, saying: "We are happy that the other Asian countries have finally decided to support us."

China won 137 gold medals out of 337 events at the Asian games, more than double the tally of South Korea, its nearest competitor. Its women swimmers won all 15 of their races and set a number of world records in the process. Its women weightlifters dominated, setting 16 world records.

China hailed the results in official commentaries as a "resounding success", and singled out the women swimmers for special praise, saying their "astonishing performances marked a shift in the balance in a sport which the west had dominated for decades". Those performances seem somewhat less astonishing now.

Japan's million dollar mayor

When Wall Street banker Tetsundo Iwakuni went home to become a small town mayor in south-western Japan he soon made an impact.

But it was not just bringing modern management to the town hall that did so much for the town, it was also his old-style connections with a powerful Tokyo politician that brought central government cash his way.

The experience of Mr Iwakuni illustrates the "split personality" of today's Japanese politics following the downfall of the Liberal Democratic Party last year. Mr Iwakuni's town, Izumo, is a tranquil little place on the south-west coast.

Mr Iwakuni, 58, is in the mainstream of political reform, a leading light of decentralisation and a close friend of Mr Morihiro Hosokawa, the first post-LDP prime minister. Yet he owes part of his success to the influence of one of the most senior members of Japan's political old guard. He is Mr Noboru Takeshita, 70, local member of parliament for the past 36 years, and a former LDP prime minister.

Mr Iwakuni took a risk by leaving a \$1m per year job as a senior vice president of Merrill Lynch in New York to become mayor of his home town five years ago, on the invitation of a local official related to Mr Takeshita. He finds Izumo and Japan are changing.

Will Dawkins on a Wall Street
banker who went home to a clash
of new and old style politics

The main change, he believes, is that voters have realised for the first time since the war that there is an alternative to one-party LDP rule. And yet Mr Iwakuni wonders whether democracy will ever catch on in Japan.

Mr Iwakuni's first step towards heading Izumo into the 21st century was symbolic, to change the local calendar from the old imperial to the western system. He has also shaken up the town hall organisation, so that it won a management prize as one of Japan's nine best-run corporations, along with Toyota and Nintendo.

He has pushed the popular reformist cause of decentralisation by simply ignoring the time honoured tradition of obtaining Tokyo bureaucrats' permission for every small decision. Mr Iwakuni has proceeded, regardless, with his own plans, like putting waste recycling bins at filling stations and opening the town hall for service at weekends.

He is justly proud of his mayoral record, and won 87 per cent of the vote when he was re-elected last year. Yet Mr Iwakuni makes no secret that his real passion is to go into national politics, with the aim

of making domestically oriented Japan more influential in the international issues on which its future increasingly hangs.

Mr Takeshita resigned as prime minister, to take responsibility for political corruption in the LDP, in 1989, in the same month as Mr Iwakuni took office, a coincidence which some argued at the time symbolised the switch from the old style of politics to the new.

Yet there has not been a complete switch, rather a change in direction, argues the mayor. Mr Takeshita, for example, has recently started to run the LDP again, this time from behind the scenes. His power as a politician able to help his own community, the secret of success in old style Japanese politics, has never waned.

It is thanks to Mr Takeshita's influence with the public administration in Tokyo that Izumo spends ¥30bn (\$189m) per year on public works, twice as much as neighbouring towns. Today, Izumo hums with construction machinery, diverting a river to reduce the risk of flooding at one end of the town and build-

ing a by-pass at the other. Mr Iwakuni freely admits that some of the glory for Mr Takeshita's fundraising power rubs off on himself. Yet at the same time he points out that Izumo's big public works budget only diminishes investments in towns where there is no LDP heavyweight to pull strings in Tokyo.

The cosy nature of Izumo politics shows why Mr Iwakuni believes, with some frustration, that political reforms alone will not change the way in which Japan is governed. Old style Japanese politicians' weakness is that they have to work so hard trying to channel central government money to their own districts, that they have little time left for national, let alone foreign policies, he argues.

The new system, under which multi-seat constituencies are replaced by a mixture of single seat districts and proportional representation, will not change anything, he believes. It will force politicians to work even harder for public works funds and other local benefits because they will need a bigger share of the vote to get elected.

"Local profits to local people will become the dominant factor in the new style election fight, rather than what we do about the European Union or the trade surplus," argues Mr Iwakuni. "If everyone competes in this



Tetsundo Iwakuni: high-powered connections

way, who will direct the future of Japan? The bureaucrats will."

But in the long run, he says, parties with clear policies will be more successful at influencing coalitions than traditional parties, such as the LDP and the Socialists, which tend to believe that dogma is an

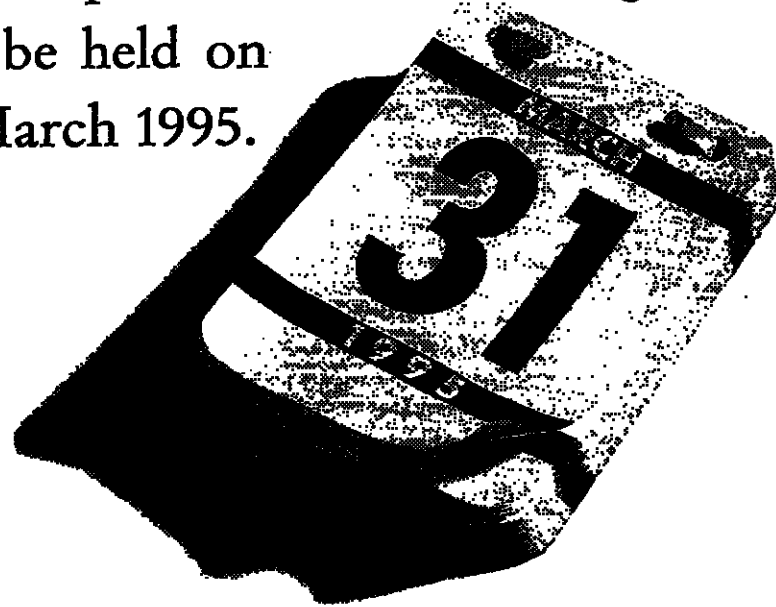
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NEWS: UK

Housing upturn 'further delayed by Budget'

By Andrew Taylor,
Construction Correspondent

The Budget has further delayed recovery in the housing market after prices continued to drift downwards or remain flat last month, the country's two biggest building societies said in surveys yesterday.

Nationwide, the second largest society, said prices on average had fallen 2.7 per cent last month compared with October - the second largest monthly fall recorded by the society this year.

It said the fall was due partly to seasonal factors. A better guide was the annual fall in prices of 0.5 per cent since November last year.

Halifax, the biggest mortgage lender, which unlike Nationwide seasonally adjusts its figures, said prices had fallen just 0.1 per cent in November but had declined 1 per cent over the previous 12 months.

The housing market traditionally starts to fall away in late autumn. The decline, however, appears to have begun earlier than usual in the past two years since the government

moved the Budget to November with the market showing nerves in the run-up to it.

Halifax and Nationwide said that this year's Budget had done little to lift the housing market out of the doldrums. They were particularly concerned about the potentially damaging impact on consumer confidence of the decision to limit entitlement to income support for homeowners who become unemployed.

From next October new borrowers will be barred from claiming income support to cover mortgage interest

payments for the first nine months. Mortgage benefits have also been scaled back for existing borrowers.

Mr Gary Marsh of Halifax said the mortgage benefit measures had "dealt another blow to a housing market already living in the shadow of higher borrowing costs".

Mr Clarke and Mr Eddie George, governor of the Bank of England, are due to meet next Wednesday for their latest discussion of base rates, now at 5.75 per cent, amid speculation that rates could rise another half point this month or next to

guard against rising inflation. Both Halifax and Nationwide expect house prices on average to rise by little more than the rate of inflation next year.

Mr Brian Davis, Nationwide's chief executive, said: "House prices will show little change in 1994 as a whole. Affordability is excellent but concerns over unemployment continue to affect confidence and are holding back recovery."

"We continue to expect activity levels to improve next year but recovery in the housing market is

dependent upon the strengthening of the wider economy. Against a background of generally low inflation accompanying rises in house prices may be modest and heavily dependent on local conditions."

Halifax said: "Generally speaking house prices in the UK remain broadly flat and any significant recovery is dependent upon improved consumer confidence."

According to the Halifax the average price of a UK home in November was £82,169 compared with £82,814 at Nationwide.

Government 'set to reduce road building'

By Charles Batchelor,
Transport Correspondent

The government is expected shortly to announce a significant scaling down of its road building programme and an end to the construction of motorways with more than eight lanes, the British Road Federation said yesterday.

Plans to widen some motorways to up to 14 lanes by the construction of roads running alongside the main carriageway are expected to be dropped, said the federation, which represents business road users and private motorists.

This reversal would be the result of cuts in the Department of Transport's roads budget announced by Mr Kenneth Clarke, the chancellor, in the Budget on Tuesday. Roads spending was cut by £200m over each of the next two years.

It would also reflect the growing environmental pressures which led to the government scrapping nearly a third of the road building programme last March.

Further cuts in the roads programme would help establish the "green" credentials of Mr Brian Mawhinney, the transport secretary.

The Department of Transport said last night it could not comment on the federation's claims. It added: "The secretary of state has asked for information on a number of schemes but no decisions have been taken on any changes."

Road widening schemes which would be dropped if the department does limit motorways to eight lanes would include three of the most controversial proposals, the federation said. They are the

south-west quadrant of the M25 which has provoked fierce opposition from local Conservative MPs as well as from environmental groups, the M4 west of London, and the M62 north-west of Manchester.

The federation said: "These schemes were not introduced in response to pressure from business and industry. They have attracted huge opposition and are likely to be dropped."

Proposals to widen the M42 around Birmingham from six lanes to 10 also appear likely to be cut to eight lanes. This emerged from new traffic evidence submitted by the Department of Transport to a public inquiry under way into the Birmingham Northern Relief Road.

Eight new motorway schemes which are at an advanced stage will probably still go ahead as will three proposals to widen dual carriageways to motorway standard, the federation said.

The new motorway schemes are the M65 Denton to Middleton; the M55 Blackburn southern by-pass; and the approach roads to the second Severn Bridge, all of which are under construction. Two privately financed projects, the A1-M1 link in the north and the Birmingham Northern Relief Road, are also expected to be continued as are three roads now in the planning process: the Birmingham Western Orbital, the Stockport by-pass and the A558(M).

The dual carriageway widening schemes which are expected to be continued are the A1 between London and Newcastle upon Tyne, the A14 between Cambridge and Peterborough and the A74 from the M6 to the Scottish border.

Blair puts spotlight on EU steel crisis

By Andrew Baxter

Britain's lack of credibility in Europe is making it harder for the UK steel industry to win its campaign for a "level playing field" in the European market, said Mr Tony Blair, the Labour leader, yesterday.

In his first direct comments on the crisis in the European steel industry and UK producers' fight against subsidies made to some continental European rivals, Mr Blair said the UK had to make its voice heard in Europe to achieve the action the industry needed.

Speaking at the annual lunch of the British Iron and Steel Producers Association (Bispa) in London, Mr Blair said this did not mean the UK had to go along with everything other European Union nations wanted.

However, the UK government's attitude was seen to be "destructive" and it was too concerned with its own internal problems to be a credible participant in the debate about steel or other issues, such as the Common Agricultural Policy, he said.

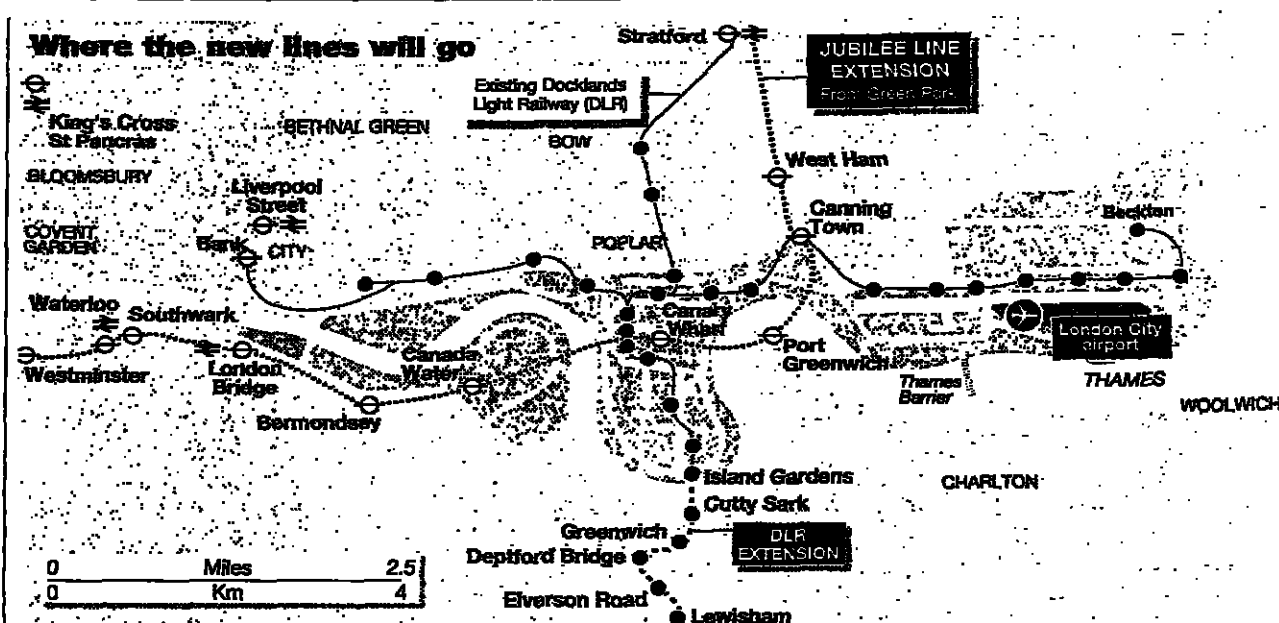
There is growing pessimism in the UK steel industry about the one big issue outstanding from the European Commission's handling of the steel crisis - the future of EKO Stahl, the biggest steel producer of former East Germany.

Last month the UK industry praised the refusal by Mr Tim Eggar, the industry minister, to endorse a controversial proposal for a subsidised takeover of EKO Stahl by Cockerill-Sambre, the Belgian steel producer.

But the rescue plan, which Bispa says involves the injection of DM1.6bn (£650m) of public money into EKO Stahl, is strongly backed by the German government, and one UK observer feared yesterday that the UK is losing ground. The issue will be decided in the next few weeks.

Mr Blair, in a wide-ranging speech restating his views on industry, training and other issues, said the UK steel sector was a perfect example of a "modern, traditional" industry. But the UK needed more such success stories.

According to figures from the UK Steel Information Service yesterday, annual output per employee has risen to 421 tonnes this year, up 13 per cent on last year. It is the biggest annual rise in recent years, and accompanies a fall in the workforce by a further 5 per cent to 38,000.



Five bids likely for rail extension

By Andrew Taylor

At least five consortia, including some overseas companies, are likely to submit preliminary bids for the £100m privately financed extension of the London Docklands Light Railway to Lewisham in south London.

The contract, which is expected to be awarded next autumn, will form part of the £50m of private investment in infrastructure which Mr Kenneth Clarke, the chancellor, said in his Budget speech was likely to be placed next year.

The closing date is December

14 and memberships of some of the consortia have still to be finalised, but five potential candidates have emerged.

The list is understood to include a joint venture between Amec, the UK construction group, Dragados, the Spanish contractor, and Brown and Root, the US engineering group. Bovis, the construction arm of shipping group P&O, and Nicholson, a Japanese contractor specialising in tunnelling, are also expected to bid jointly and are negotiating with other potential partners.

Mowlem, the UK construction group which built previ-

ous sections of the Docklands Light Railway, is expected to lead another bid.

It has still to be decided whether GEC will support the Mowlem tender as the signalling contract for the Lewisham extension has already been earmarked for the Canadian subsidiary of Alcatel of France which is providing new signalling for the existing railway.

Other potential bidders for the 2½-mile extension are believed to include the BICC engineering group, which owns Balfour Beatty construction, and Pell Frischmann, consulting engineers, which is under-

stood to have had negotiations with UK contractors Alfred McAlpine and Sir Robert McAlpine and Sumitomo Bank of Japan.

Bidders for the extension have been invited to pre-qualify through the official journal of the European Union. A shortlist of bidders is expected in January.

The government intends that the Docklands Light Railway, which links the City with east London, should be franchised to a private-sector operator in 1996 before being sold completely to the private sector seven years later.

Guinness trial lawyer convicted

By John Mason,
Law Courts Correspondent

A solicitor who acted for one of the defendants in the Guinness trials was himself convicted of fraud yesterday.

Mr Simon Easton was found guilty at Southwark Crown Court of submitting false invoices to claim legal fees for a client's divorce.

The invoices led to money being removed from the client's business and its pension fund.

Mr Easton was a partner with law firm Calow Easton in 1989 when the fraud took place. Among his clients was US lawyer Mr Thomas Ward, who was prosecuted over his role as adviser to Guinness during its 1986 takeover of Distillers. Mr Ward was acquitted last year of the theft of £5.2m from the drinks company.

The solicitor acted for Mr Ward after the former Guinness

adviser was arrested and charged but stopped acting for him shortly before the trial started.

The court heard that Mr Easton charged a total of £114,000 in legal fees for handling the Derbyshire businessman's divorce proceedings.

However, he submitted three separate invoices - one to the client for £68,000, a second to the client's company for £26,000 and a third to the company pension scheme for £17,000.

In his defence, Mr Easton claimed the splitting of the bill had been an honest mistake. Mr Easton was found guilty on 10-3 majority verdicts of three counts of false accounting. He will be sentenced on December 22 and was released on unconditional bail until then.

Mr Easton's solicitors said afterwards they would be considering an appeal.

Store blackmail pair sent to jail

Two businessmen who tried to blackmail three supermarket chains into paying a total of £12m by threatening to contaminate products with the HIV virus were jailed at the Old Bailey yesterday.

Mr Michael Norman of Wrentham, Norfolk, was sentenced to eight years after pleading guilty to three charges of blackmail. Mr Alexander Taylor of Yeovil, Somerset, was jailed for five years after being convicted of conspiracy to blackmail.

Mr Norman sent letters to Safeway, J. Sainsbury and Tesco threatening to contaminate products on the shelves with chemicals and the HIV virus unless the store groups paid up, the court heard.

The letters warned that if they did not do so, financial investors and the press would be told there were contaminated products on store shelves.

At Mr Norman's request, Mr Taylor had previously looked into ways of laundering large sums of money and placing them in overseas bank accounts without trace.

The two were caught by police officers posing as supermarket representatives.

Mr Taylor had acted as a go-between, meeting the officers as an agent of the blackmailers. He was followed and seen meeting Mr Norman in motorway service stations. The men were arrested just after the officers handed over a suitcase containing £275,000 in cash as part of the blackmail payment.

Mr Norman told police he got the idea for the crime from the Dick Francis thriller *The Barber*.

Sentencing the two men, the judge Mr Recorder Paul Focke said such blackmail "strikes at the roots of the retail industry".

Nadir's empire under pressure

The empire of fugitive businessman Mr Asil Nadir came under renewed pressure yesterday as Turkish Cypriot authorities won a court order against his bank, Kibris Endustri Bankasi, for defaulting on \$4.2m in deposits for a pension fund, Jim Kelly writes.

Mr Ozkan Murat, labour and social security minister, said: "We have taken legal action to make sure this money is not lost. We are not sure if the assets of the bank will be enough... but we have taken action to save the money of the workers."

Under the court order Mr Nadir, who fled Britain last year to avoid facing charges of theft and false accounting over his collapsed Polly Peck empire, will continue to operate the bank but will not be able to sell its assets. The bank is not part of Polly Peck.

It was also reported in the newspaper Kibris, which Mr Nadir owns, that he had suspended buying citrus fruits from growers on the island and will close down his packaging and juice extraction plants.

Mr Nadir also appeared to be facing defeat in his battle over control of the Jussine Court and Palm Beach hotels in northern Cyprus.

Coopers & Lybrand reported that the government of northern Cyprus was close to agreeing to hand over the hotels to their lawful owners - Vofag Kibris Ltd (VKL), a member company of PPI.

According to reports, representatives of VKL, met government officials earlier this week to find a way of paying tax and rental liabilities. The government had threatened to terminate the hotels' leases unless outstanding rent of \$97,000 was paid by Monday.

Coopers reported that yesterday the office of the deputy prime minister of northern Cyprus had granted VKL an extension to meet the outstanding rent debt until December 19.

Mr Chris Barlow, lead administrator of Polly Peck International and a partner in Coopers & Lybrand, said: "We view this as another significant step towards gaining access to Polly Peck assets in Northern Cyprus."

PIA set for clash on training agents

The Personal Investment Authority, the private investment watchdog, is heading for a clash with independent financial advisers over plans which would add about 10 per cent to the cost of ensuring that advisers are properly trained.

The proposals would mean that all new sales agents or advisers, together with those who supervise them, would have to pass all three papers of the financial planning certificate or the investment advice certificate unless they advised on only a limited range of products.

Engineers in north hit by more gloom

Fears about profits, cash flow and the recovery seem to have helped keep average annual pay settlements in engineering down to 2.6 per cent in the past three months in Yorkshire and Humberside.

Profits margins have tightened and raw material prices have risen, the Engineering Employers Federation said.

Official reserves up

The UK's official reserves rose by \$31m to just over \$44bn in November, the Treasury said yesterday. If factors such as repayments of borrowing under the exchange cover scheme are excluded the reserves rose an underlying \$46m.

Big economic research bodies see grants cut

By Peter Marsh

The National Institute of Economic and Social Research and the London Business School were told yesterday of large cuts in their government grants under a new package of funding for economic research.

Cash that would have been taken by the country's two biggest economics research establishments is being channelled to smaller groups as part of an effort by the Economic and

Social Research Council, a government funding agency, to increase diversity and competition.

The two organisations' combined share in the new package of grants was £1.2m. The programme will be about 42 per cent, down from 70 per cent previously. In effect this means their grants are cut by about 23 per cent and 29 per cent respectively.

However, overall funding under the council's economic

modelling programme is being increased by 23 per cent in real terms. Economic models consist of software which simulates the economy. They help with forecasting and, for example, understanding how currency changes affect exports.

In the latest four-year phase of the programme, starting next September, £3.2m is being earmarked for a group of between eight and 12 academic researchers. The cash is up from £2.6m spread among four

groups for the period 1991-95. Of the £3.2m, some 75 per cent is coming from the council, 20 per cent from the Treasury and 5 per cent from the Bank of England.

The boost to funding was welcomed by economists, who had feared large cuts following exasperation about the lack of accuracy of economic forecasts. Mr Richard Freeman, chief economist at Imperial Chemical Industries, who chaired a council panel eval-

uating the modelling bids, said: "The UK has a world lead in economic modelling. This programme aims to build on it."

However, the extra cash only partly compensates for a 57 per cent real-terms cut in support in the modelling programme four years ago.

The National Institute and London Business School said they had expected the cuts and could probably make up shortfalls by getting more cash from the private sector.

Row over FM radio licence

By Raymond Snoddy

KFM, the commercial radio consortium which recently failed to win a broadcasting licence in London, may seek a judicial review of the Radio Authority's decision.

Mr Chris Parry, executive chairman of KFM, which hoped to cater for young Londoners with a taste in "alternative, independent rock", said he would decide next week whether to seek leave for a judicial review.

In October the Radio Authority, the regulatory body for commercial radio, awarded four new licences for London, including two for KFM.

The authority caused sur-

prise by awarding one of the two FM licences to Mr Richard Branson's Virgin 1315 even though it was already available all over the UK on AM. The second went to Crystal FM, which offers soft adult rock.

Mr Parry said he is mainly concerned at the voting mechanism by which Virgin was chosen over KFM.

He believes that one of the Radio Authority members, Mrs Margaret Corrigan, who was unable to attend the meeting, had made her support for KFM clear. Mrs Corrigan declined to comment on her views.

Mr Peter Baldwin, chief executive of the Radio Authority, has confirmed that there was a deadlock over

one of the FM licences. It is believed that in the absence of Mrs Corrigan, Lord Chalfont, the Radio Authority chairman, voted first as a member to be the vote for Virgin and four for KFM. Lord Chalfont then used his casting vote as chairman to give Virgin victory.

The procedures only allow a vote to members who attend and the chairman has the casting vote in the case of a tie.

Mr Parry yesterday said Lord Chalfont's decision to vote twice was outrageous.

Virgin has been campaigning for an FM licence for some time because of the poor quality of AM frequencies.

Cable TV forecast to grow in Wales

By Raymond Snoddy

Mr John Redwood, the Welsh secretary, yesterday forecast an expansion of cable television in Wales with the possibility of financial help to take the service to rural areas.

Mr Redwood told a Welsh Development Agency media seminar in Cardiff that the Independent Television Commission was preparing to advertise new franchises for much of south Wales early next year.

After a long gap, the ITC has again been advertising fran-

chises and recently offered a single franchise covering, at least in theory, all of Northern Ireland.

Mr Redwood said yesterday that franchises for north Wales would follow.

"If companies think they need government help in remote rural areas, they should say so when submitting the possible extent of their interest," Mr Redwood said.

Mr Redwood's remarks are surprising because the cost of laying cable means that it is usually only viable in urban areas.

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Nadir's empire under pressure PM orders end to Euro infighting

Tories warned they may lose election

By Philip Stephens and David Owen

Mr John Major issued a stark warning yesterday that the Conservatives would be defeated at the next general election unless the party stops its infighting over Europe.

At the end of a week which saw the unprecedented expulsion of eight Tory MPs and the resignation of a ninth, Mr Major urged colleagues to "put the divisions behind us and work for the kind of Europe in which we believe".

In an apparent aside to divisions among ministers as well as on the back benches, he said that Tory supporters expected unity from the parliamentary party and the government.

But a row over the funding of the European Union's efforts to combat fraud provided an awkward backdrop to the return to the Commons next week of the legislation which provoked this week's revolt by Eurosceptics.

Mr Major told the annual conference of Conservative Women: "It is perfectly possible for us to win both the domestic and the European arguments - but only if we work together as a party at all levels."

In a tacit admission of the unspoken fears of many in the cabinet that the party is close to fracturing permanently over Europe, Mr Major said economic recovery alone would not guarantee an election victory. He added: "It is the Conservative party fighting the same fight, at the same time against the same people - then we will win."

Motorola may buy Digital plant

By James Buxton, Tony Jackson and Paul Taylor

Digital Equipment, the long-making US computer group, said yesterday that Motorola, the US electronics group, had expressed interest in buying its semiconductor plant in South Queensferry near Edinburgh.

Digital said: "Our responsibility is to evaluate any proposal that the company receives concerning its assets, and we are currently involved in that process."

In the UK, Motorola confirmed that the company was involved in talks with Digital, and that the only plant mentioned in the discussions was the South Queensferry site.

However Motorola said it would be "inappropriate" to say more about the discussions at this stage.

The South Queensferry plant, which opened in 1980, makes Digital's high-powered Alpha microprocessors for use in the group's personal computers and workstations.

Digital, which recently completed a \$58m expansion of its facilities at South Queensferry, agreed earlier this year to manufacture microprocessors at the plant for Advanced Micro Devices (AMD), the US company which is a rival to Intel, the leading US microprocessor manufacturer.

At the time there were strong suggestions that Digital might be considering selling the plant to AMD. However Mr Vincenzo Damiani, Digital's European president, said then that it was unlikely the semiconductor operations would be sold. Motorola also produces semiconductors in its plant at East Kilbride which are used as microcontrollers in cellular telephones, fax machines, engine controllers and smart cards.

In September Motorola announced a \$200m expansion of the East Kilbride facility to cope with rising worldwide demand. The expansion will be the third, and by far the biggest, that the company has made at East Kilbride in the past three years. It manufactures cellular telephone equipment at another plant in Scotland, at Easter Inch near Glasgow.

In contrast, Digital announced its third restructuring in two years in July, involving the loss of 30,000 jobs and increasing its net losses for the year to \$2.2bn (\$1.84bn).

Major attacks separate assemblies

By Philip Stephens, Political Editor

Labour's plans for a raft of constitutional changes including devolution for Scotland and Wales were yesterday fiercely attacked by Mr John Major, the prime minister.

In a speech indicating his determination to put the Tories' defence of the constitutional status quo at the centre of the next election campaign, Mr Major said Labour's commitment to separate assemblies for Scotland and Wales would spell "the beginning of the end for Britain".

His comments were echoed last night by Mr Michael Portillo, the rightwing employment minister. Underlining the potential for defence of the union to provide a unifying theme across the party, Mr Portillo said the Conservatives were "first and foremost the party of the United Kingdom".

He added that the people of Northern Ireland were guaranteed the decisive voice in the province's future. The talks with Sinn Féin, the political wing of the IRA, did not mean "peace at any price".

The prime minister, who also attacked opposition proposals for reform of the House of Lords and a referendum on the voting system for Westminster, said a legislative body in Scotland would be a "recipe for constitutional chaos".

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Waving the union flag: John Major leaves the hall yesterday after signalling his determination to defend the constitutional status quo

ment on issues like health and education and then votes at Westminster on policies affecting the same issues in England, Wales and Northern Ireland. The result would be the break-up of the UK.

Speaking at the annual Conference of Conservative Women, Mr Major accused

Mr Tony Blair, the Labour leader, of considering changes to the first-past-the-post system for electing MPs for narrow political advantage.

He told the conference: "They [Labour] will twist and change the voting system to build an almost permanent alliance between Labour and the

Liberals with one purpose and with one purpose above all - to try and keep the Conservative party out."

Mr Major added that Labour's attacks on the Lords were designed to attract "a few cheap cheers". He went on: "The fact is that the House of Lords works rather well. It is

an important brake on over-mighty government, an important part of our constitution - and it is a good deal more popular, by and large, than the House of Commons."

He said that Labour's proposals would make the Britain which has existed for the past 300 years unrecognisable.

Labour postpones devolution answers

By James Buxton, Scottish Correspondent

The way Scotland would be represented at Westminster after a Labour government had set up a Scottish parliament can be decided only after Labour has implemented all the changes it plans for the UK's regions.

Mr George Robertson, the shadow Scottish secretary, said yesterday that the party was embarking on a dynamic process of constitutional change. There

would not be a "pat answer" to every question concerning future regional representation at Westminster. New anomalies would be created, he said.

Mr Robertson reiterated Labour's commitment to establish a Scottish parliament and a Welsh assembly in its first year in office. It would then set up regional assemblies in different parts of England.

Labour has been criticised by the Conservatives for failing to give

detailed answers to the questions of how Scotland and Wales would be represented at Westminster after their assemblies are established.

In particular it has been challenged to answer the so-called West Lothian question: why should Scottish MPs at Westminster be able to legislate for matters such as education in England while English MPs will not be able to legislate for education in Scotland?

Mr Robertson told the Scottish constitutional convention, an unofficial body

boycotted by the Tories and the Scottish National party, that there would be "no precise point where everything must instantly adapt to accommodate just some of the new institutions".

Rather than get lost in "the forest of detail and constitutional porridge", it was more important to tell people what the Scottish parliament "can do and will do to change their lives". It should outline options for issues such as housing, community care, education, transport and the health service.

The government believes this measure could stop companies with low costs from competing in high-cost countries. Mr Portillo is convinced it is anti-competitive and would make it harder for the unemployed to find work.

The employment secretary is also expected to make a legal challenge against the posted workers directive if his colleagues try and push the measure through Tuesday's meeting by a qualified majority of votes and not by unanimity.

Mr Portillo intends to tell his EU ministerial colleagues that they should concentrate not on social regulations but on tackling European structural unemployment in line with EU social affairs commissioner Padraig Flynn's white paper on the future of European social policy, also to be discussed on Tuesday.

Strong support for the employment secretary came yesterday from Mr Howard Davies, director-general of the Confederation of British Industry who told a conference of Unice - the European employers' organisation - in Berlin that next Tuesday's meeting would provide "an important test of the EU's willingness to grasp the implications of its social policies on Europe's competitiveness problem".

Mr Davies said that while "some basic rights" such as health and safety and equal opportunities should apply to posted workers, a directive that covered terms and conditions of employment was "anti-competitive and inconsistent with the principles of a single market". He added that the latest draft part-time and fixed contract work directives were "unacceptable" as they stood.

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Student numbers to be capped for four years

By John Authers

Student numbers in UK universities will be held at their present level for four years, Mrs Gillian Shephard, the education secretary, told vice-chancellors yesterday.

The decision, taken as part of the Budget, extends the planned period of consolidation from the previously announced three years, and means the proportion of 18-year-olds admitted to universities will not start to rise again until 1998. Mrs Shephard said the number of new students would drop slightly next year, thanks to a fall in the number of 18-year-olds.

The Committee of Vice-Chancellors and Principals, which represents UK universities, said it was "very disappointed" by the decision which would make it "more difficult to achieve the government's targets by the end of the century".

Lecturers responded angrily. The Association of University Teachers said: "This makes a nonsense of putting more resources into higher education and increasing expectations."

At present the government hopes 83 per cent of 18-year-olds will enter higher education each year by the year 2000. The present figure is around 30 per cent.

Mrs Shephard said the government would encourage more part-time and mature students. Ministers also want universities to use the period of consolidation to ensure that their quality assurance systems are effective, following claims of falling standards.

To achieve this, Mrs Shephard yesterday called for a reform of the system for quality audit and assessment. At present, the Higher Education Quality Council, a self-regulatory body, carries out

audits to ensure standards are uniform, while the Higher Education Funding Council, a government agency, makes quality assessments to determine funding.

Mrs Shephard said: "I recognise that the present separate assessment and audit programmes are seen as heavy-handed." She added that she sympathised with those who wanted the two programmes brought together "in the next year or two". She has asked the funding council to report on a new structure by next spring, and said she hoped any system would be as transparent as possible.

The vice-chancellors and principals committee said such a move would "provide greater value for money, promote genuine quality enhancement and reduce administrative burden". While the quality council agreed the two processes should be brought together.

The 29.5m figure for 1993's enrolment excludes the impact of a planned change in Lloyd's procedures for allocating risks to particular years which takes effect from January.

The upturn in business at Lloyd's follows two relatively good years: both 1993 and 1994 are expected to produce profits when results are released under Lloyd's three-year accounting system.

The legacy of losses in the late 1980s and early 1990s is expected to lead to a further outflow of Lloyd's Names, individuals whose assets have traditionally supported the insurance market.

But investment from new corporate companies for the 1995 underwriting year has been higher than expected. Latest figures suggest Lloyd's capacity next year will be between 29.9bn and 31.0bn.

Ministers consider change to employers' liability law

By Ralph Atkins

The government is urgently considering a possible law change following problems created by new terms that insurance companies plan to impose on compulsory policies covering workplace deaths and injuries.

Ministers are expected to decide soon whether to change the 1969 Employers' Liability Act which requires employers to have at least £2m of cover.

The move follows a private meeting this week between Department of Employment

officials and insurance industry representatives to discuss the insurers' decision to introduce a basic £10m claims limit on employers' liability policies renewed from January.

The announcement threatens to leave many large corporate groups without the legally required level of insurance because the law at present stipulates that each subsidiary company, or "employer", must have £2m of cover.

A change in the 1969 act could be implemented swiftly, possibly in time for the January deadline, because the levels of cover required are set by

"statutory instruments" - regulations that can be changed relatively easily, without long parliamentary procedures.

One proposal being mooted in Whitehall would allow corporate groups to be treated as a single employer though that would mean commercial giants being treated in the same way as small companies.

An alternative would be to introduce a sliding scale for the amount of cover required.

Meanwhile, health and safety inspectors have been asked to consult Whitehall before taking action against companies with inadequate cover.

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Five held in £30m fraud probe

A Barclays bank official was among five people arrested yesterday as part of a large fraud investigation, Jimmy Burns and John Mason write.

Police said yesterday that they believed they had foiled a massive international fraud, straddling UK and foreign banks, which could have involved more than £30m.

The Barclays bank official worked as a business centre manager in Derby, where the bank has one of its largest regional branches. Four other people arrested in London and Kent did not work for Barclays but were described by police as having "extensive banking expertise".

Barclays said last night that the bank had worked closely with the police investigation and was "delighted" with the apparent success of the anti-fraud operation.

The bank stressed that the fraud had been prevented and that therefore no customers had been affected.

TUC denounces jobseeker's bill

Unions and voluntary organisations have promised to campaign hard against the government's new jobseeker's allowance, which the Trade Union Congress described as a "nasty and vindictive measure".

Mr John Monks, TUC general secretary, denounced the bill to implement the allowance - published yesterday. He said it was "based on the wholly false view that the unemployed are work-shy slackers that need to be forced back to work by the heavy hand of state control".

The new six-month allowance will replace unemployment benefit and income support in April 1996.

Mr Michael Portillo, the employment secretary, estimates the scheme will mean a £100m net cut in government spending on unemployment in 1996-97, the first year, and would then save £200m every following year.

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FINANCIAL TIMES

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Saturday December 3 1994

Room for manoeuvre

What Mr Kenneth Clarke delivered on Tuesday has been widely described as the budget in between: between two that will raise more than £16bn in extra taxes and two that will give most of that money back; between a huge rise in indirect taxes and a subsequent lowering of direct taxes; between a post-election period of sensible policy from a chastened government and a pre-election period of idiotic policy from a desperate one.

Naturally, bluff Mr Clarke denies that he has any such devious intentions. His first priority, he asserted, was "to keep the economy on track to achieve the great prize of sustainable growth. This recovery offers the best prospect that the British people have faced for many years to enjoy the benefits of growth that does not pass through illusory boom to painful bust." But he would say this, whatever his intentions. Delivering sustainable growth will demand both determination and skill. Will the fabled state of British politics allow him to demonstrate either?

What Mr Clarke - and Mr Lamont, before him - sought to achieve in the two budgets of 1993 was room for manoeuvre. They found themselves in a fiscal hole and proceeded to dig themselves out of it. With the public sector borrowing requirement (PSBR) heading towards £50bn, the case for fiscal stringency seemed overwhelming. At the beginning of a parliament, it also looked well-timed.

Now the choices have become far more difficult. Making them wisely is also being made less easy by the terms of the current debate. Most commentators assume that the questions are only when, and by how much, to tighten monetary policy and when, and by how much, to loosen fiscal policy.

Fiscal policy

This is absurd. First, the best policy option is not to loosen fiscal policy, but rather to allow interest rates (and so the exchange rate) to be lower than they would otherwise be. Second, following tax increases of as much as 2 per cent of gross domestic product with lower taxes a year or two later is senseless. But it would be worse than senseless if increases were imposed when the economy is recovering and the reductions when it is close to full capacity.

Yet fiscal relaxation seems highly likely. The PSBR is now forecast to decline from 5 per cent of GDP this year to 4 per cent, by 1997-98. Moreover, revenue may rise even more quickly than the Treasury forecasts. Should inflation be higher than

the low levels now forecast and the cash-limited figures for public spending be retained, the fiscal position would improve more quickly still.

In any case, the chancellor should enjoy room for fiscal manoeuvre. Part of it might be exploited by raising public spending. Because inflation was much lower this year than had been forecast a year ago, the expected squeeze never happened: real general government spending is forecast to rise by 2.3 per cent in 1994-95, against the decline of 0.1 per cent forecast a year ago. It is not surprising that managing the public sector has been easy. Now, however, the plans are for a rise of only 2 per cent in the real level of general government spending between 1994-95 and 1997-98.

Relaxation

It is not difficult to imagine a relaxation of this squeeze. Even so the prospective PSBR should also allow large tax reductions. If the chancellor were to eliminate the 20p basic rate in favour of the 25p rate, it would cost the exchequer around £2.5bn. If this were done in 1996-97, the PSBR would rise to just over £20bn, which would be less than 3 per cent of GDP.

The political calculation would be whether the popularity of a lower basic rate of tax would offset the unpopularity of higher interest rates. It may well do so, because many voters - particularly elderly ones - would enjoy the prospect of higher interest rates on their deposits. Meanwhile, in the absence of much new borrowing, the cost of higher interest rates would fall predominantly on the group of people who bought houses in the second half of the 1980s. For a desperate government this would appear to be a promising calculation.

From the economic point of view, however, such a switch would be far less attractive. The Treasury's Red Book notes that net trade accounts for about half the growth in 1994 this far. For once, the UK economy is enjoying export-led growth. Any significant fiscal loosening, particularly if it were offset by monetary tightening, could throw this gain away. Worse still would be a failure to tighten monetary policy enough. In that case, everything could be thrown away in yet another consumer-led boom.

The government has achieved the luxury - and the danger - of choice. The economically wise thing to do would be to leave fiscal policy as it is. The politically attractive choice would be to bribe the voters and let the economy rip. To govern is to choose. The government will show what it is made of by how it does so.

Mr Philip Tose, the maverick Hong Kong financier, once offered Britain's Tory party £5m to remove Mr Chris Patten, Hong Kong's governor. Now, he says, it is too late to make any difference.

With the battle over electoral reform ended, and less than 1,000 days to go before the handover on June 30 1997, the die is cast. Hong Kong has embarked on the final leg of its journey back to Chinese rule. And most people in the colony believe there is little Britain can do by way of new initiatives.

As the sense of change becomes palpable - with China's Civic Union taking the British trading company Jardine Matheson's seat on the board of the powerful Jockey Club, and Mandarin beginning to displace Cantonese on the government radio - it is now up to China to decide how smooth the handover will be, and the shape of life beyond.

Optimists suggest that Chinese officials are beginning to realise that they need British co-operation. "Mr Patten is the governor and the representative of the Hong Kong British government," says one senior Chinese official in Hong Kong. "We have to deal with him. On many points we don't agree with him but he is the governor."

Some concrete evidence of this new realism is the agreement Beijing reached last month with Britain on the funding for Hong Kong's HK\$180bn (US\$18bn) airport development. This has freed funds for building a railway connecting the airport to urban Hong Kong.

Encouragement is also taken from reports that Mr Qian Qichen, China's foreign minister, is considering a visit to Britain next year. And Chinese officials in Hong Kong indicate a desire to deal with the nitty-gritty of the transfer at a meeting of the Joint Liaison Group, a bilateral body with Britain, this month.

But Hong Kong's passage from British colony to a "special administrative region" of China still seems likely to be dogged by controversy. "While we are totally sincere in wanting to be co-operative and constructive, the nature of an enterprise as complicated as this makes it very difficult to see circumstances in which there are not going to be any more arguments," says Mr Patten. "What I hope is that we will make progress in other areas which would avoid arguments becoming too poisonous and seeping into everything."

The chief obstacle to a smooth transition is the possibility of an exodus of the senior civil servants, who have managed the colony with a light and sophisticated touch. "The biggest problem that Hong Kong faces is the stability and continuity of the civil service," says Mr Allen Lee, the leader of the pro-Britain Liberal party.

Mr Lee says that, "in general, Hong Kong people are still fearful of the Communist party." This is especially so among senior civil servants who will have most day-to-day contact with representatives of the new sovereign power after 1997. Many have come into close contact with mainland officials and been subjected to humiliating treatment.

The importance of morale among the colony's 180,000 civil servants is acknowledged by Chinese officials. Some, with a hint of desperation in their voices, note that only the top 20 to 30 jobs will require vetting by Beijing. "The ones below... we hope these civil servants will stay," says one official. "We need them;

It is China that will call the shots on the handover of Hong Kong, say Simon Holberton and Peter Montagnon

1,000 days of uncertainty



Basic differences: clockwise, Chris Patten, Democratic party's Martin Lee, Qian Qichen, China's foreign minister

they have made a great contribution to Hong Kong."

It is hard to see how Beijing's desire to maintain a tight grip on the levers of power can be meshed with the traditional independence and professionalism of Hong Kong's civil service.

The transfer of sovereignty is full of seemingly innocuous details that turn out to be traps for the unwary. Take school text books, which have recently emerged as an issue because some pro-Beijing figures in Hong Kong do not believe that the current texts used in schools are sufficiently "patriotic".

"We are not suggesting any change to the curriculum," says Mr Tsang Yok Sing, a leading Beijing adviser in Hong Kong who is himself a school headmaster. "We sent a selection of textbooks to Beijing and they were shocked... by references to Taiwan as the Republic of China, the People's Republic as a neighbour, and the glossing over of Britain's role in the Opium War."

Text books for the 1997/98 school year have to be ordered by the end of 1996. Already some publishers have said they may withdraw from the textbook market. Given the high status accorded to education in Chinese society this is a potentially explosive issue for Beijing if not handled sensitively. Equally it is unclear quite what Britain can do to ease the situation.

But it is the absence of what is known as the through train that may prove the most debilitating factor of all. The through train encapsulated the hope that those elected in 1995 to the Legislative Council (LegCo), Hong Kong's 60-member law making body, would be able to serve their full four-year term, regardless of the 1997 handover.

After the dispute on electoral reform, Beijing announced that it would disband the 1995 LegCo once China resumed sovereignty of Hong Kong, and replace it with a provisional legislature.

This decision is set to take Hong Kong into uncharted waters, and casts doubt over the continuity of the colony's legal system.

The colonial government had planned to hand over by introducing a piece of midnight legislation to eliminate all references in Hong Kong law to institutions such as the governor and the Queen. But China says an illegitimate 1995 LegCo can-

not pass laws binding a future government.

However, the Basic Law - the China-drafted mini-constitution for post-1997 Hong Kong - does not provide for a provisional legislature as such, although it does foresee a "preparatory committee" to be formed in 1996 that will determine who sits in this legislature.

Mr Tsang, a member of the Chinese government committee planning for the handover, says the provisional legislature will have full powers to make laws for an expected term of nine to 12 months.

"It's an extremely dangerous thing to have because they [Beijing] can clean, with one sweep, any laws they don't like," says Mr Anna Wu, an appointed member of LegCo and a lawyer specialising in intellectual property law.

It seems likely that the committee to which Mr Tsang belongs, the preliminary working committee, will become the 1996 preparatory committee. That body may well elect from among itself the 60 members of the provisional legislature.

Next year's elections will still matter, however. A strong showing by Hong Kong's pro-democracy groups, led by Mr Martin Lee's Democratic party, will be seen as a protest vote against Beijing. But a good showing by Beijing's own supporters will create another problem: China would then have to decide

whether to accept an elected council favourable to its point of view.

Some take this prospect seriously. Mr Tsang says of the final recommendations of the provisional legislature: "I think it most likely that any substantial conclusion will be deferred until after next year's elections to see how things are."

For Mr Patten, the cost of confronting China over the 1996 elections has been high.

Even his supporters see him as a spent force. "I think the governor has become very stuck," says Mr Wu, a Patten appointee. "I can't see him challenging the Chinese again over any other major issue. He will go for a conciliatory, appeasement path," she says, in the run up to the handover.

His critics go much further, suggesting that there is little chance of any meaningful dialogue while Mr Patten occupies government house. "At least one senior Chinese official has said to me he believes there is no change of restoring co-operation and trust unless and until we have a new governor," says Mr Tsang.

Mr Patten is adamant that he is not leaving Hong Kong until he has discharged his duty. But it remains in China's gift to make Mr Patten a player in the discussions on the transfer.

China's supporters in the colony claim that Mr Patten's policy is now to make Hong Kong harder to govern by "loosening the screws" before the British leave. This is a reference to the repeal of some of the colony's more repressive pieces of legislation, such as the power to censor films. Britain used such measures to control Hong Kong but does not want to leave them on the statute books for the incoming regime.

There is similar wariness among Chinese officials about the possibility that Britain may lay down financial obligations which only have to be met after 1997.

Mr Zhou Nan, the most senior representative of the Chinese Communist party and government in Hong Kong, recently attacked Mr Patten's plans for a government-funded pension, saying: "During the transition period, we should not casually transplant a costly Euro-socialist pay-as-you-go concept to Hong Kong without prudently taking into consideration similar western programmes' long-standing track record of grossly under-estimating liabilities and grossly over-estimating funding projections."

Mr Patten claims that by 1997 public spending in Hong Kong as a percentage of GDP will be lower than it was in 1982 - the year Britain began handover negotiations with China. "I don't think Hong Kong needs lectures on how to run an economy or how to control public spending," he says.

But this kind of debate is being increasingly overshadowed by the realisation that the transition will be far from smooth.

One Chinese banker says: "Hong Kong will become less free; more like Singapore. There will be less freedom, but that's to be expected. The law will become less important and personal contacts more important. There will also be more corruption. These won't be immediate changes but will happen over time. We will just have to get used to it." In Mrs Wu's view: "There is no absolute guarantee for Hong Kong that the 1994 Sino-British joint declaration will be met. The real issue is: how easy will it be for China to break? One country two systems is a political idea, not one that is built on firm juridical foundations."

MAN IN THE NEWS: Dzhokhar Dudayev

The thorn in the flesh

Of the many upstart local leaders who have poked the rump of the Russian bear with a sharp stick, General Dzhokhar Dudayev is the boldest and the most assertive.

Alone of the presidents of the Russian Federation's republics and regions, he has declared the full independence of his state, Chechnya, such as Mr Murtimer Shamsiev of Tatarstan bargained for less.

Alone, he tried to acquire the symbols and currency of statehood - the Utsyev brothers murdered in London last year were on an official Chechen mission to acquire passports, money and stamps.

And now, alone, he faces Russia aroused. President Boris Yeltsin's troops and armour have massed at the Chechen border over the last three days to enforce a state of emergency in the republic - effectively an occupation. The implementation of that state of emergency was delayed yesterday, but its cancellation depends on a surrender that General Dudayev will not - cannot - give.

Dudayev was born 50 years ago when his people were being deported en masse from Chechnya in the northern Caucasus to central Asia for alleged collaboration with the Nazis. He spent his first 13 years in Kazakhstan, but overcame the stigma carried by Chechens to become an air force officer, rising to the rank of general.

His first public sign of defiance was allowing an Estonian flag to be raised at a base he commanded in 1989. In 1990, back in Chechnya, he took part in the republic's national congress and so impressed its members that he was elected leader.

The failed August coup of 1991 gave Dudayev his opportunity to break away from Russia. He sup-

ported Yeltsin in the battle against the hardliners, declared independence and won an election with 85 per cent of the vote.

Alarmed at the precedent, Mr Yeltsin sent troops to the Chechen capital of Grozny to restore order. Within days, he was forced to withdraw them when the Russian parliament refused to ratify his action.

In the three years since, half-hearted efforts to negotiate with Dudayev have yielded nothing. Earlier this year, Russia turned to covert support of the motley armed opposition - one of whose leaders is, ironically, Mr Ruslan Khasbulatov, Mr Yeltsin's former foe as speaker of the Russian parliament.

That opposition launched an abortive attack on Grozny, capital of Chechnya, a week ago. Its rebuff by Chechen government forces was followed by a Yeltsin ultimatum to Dudayev to surrender or face imposition of the state of emergency. An invasion force of paratroops and other elite forces gathered on the western border of Chechnya, more than adequate to crush aside the lightly armed Chechen volunteers.

The insurrection in Chechnya has been much more serious for Mr Yeltsin than the other small wars in the Caucasian cauldron that boiled up after the collapse of the Soviet Union - not least because it is part of Russia.

Pressed by Russian nationalists, President Yeltsin cannot afford to give away territory. Two weeks ago, at Pskov on the Estonian border - an area claimed by Estonia - he swore "not one centimetre" would be given up, no matter who asked.

In Grozny yesterday, Mr Anatoly Shabad, a liberal Russian deputy from a group of four who courageously volunteered to negotiate for the release of more than 20 Russian



prisoners, said: "Our national patriots are urging the president on, telling him to act decisively. This influences him a lot now."

Over the border at the Russian Moszkok base where the troops are gathering, Lt Col Vladimir Mozheev says: "Yeltsin should have done this two years ago."

Chechnya remains a symbol of the uneasy imperial past of Russia, one not exorcised by the collapse of the Soviet Union.

Mr Insaf Shamsuddin, the Chechen foreign minister - a dictionary of diplomacy on his desk, the Koran on a table before him, and an AK-47 on the window sill beside him - says: "We were almost destroyed as a nation by Stalin, we have been fighting for freedom from Russia for 500 years."

Prof Roza Ussubayeva, a vice-secretary of state, says: "We appeal to the world society to recognise our country. Because the Soviet Union has gone, slavery is hidden but slavery is still the

same when hidden."

"The tiny nation threatens revenge against the attackers. 'If they come, look out for what we will do in Russia, to the nuclear power stations,'" says Mr Shamsuddin.

Chechen blood feuds are a living tradition; the director of Grozny airport (ruined by Russian bombs) Mr Ramzan Aliev promised that the pilots of the Russian bombers would be found and killed. Terrorism is threatened and the threat is real.

No other Russified people has been as resentful of Russian, then Soviet, rule as the Chechens. But the Caucasian peoples, impoverished and mostly Moslems, have some sympathy for Dudayev.

Suppressing the insurrection in Chechnya forces Russia to prepare for war within its borders. The Chechens are unpopular in Russia - being seen as Mafia, a reputation some of them would seem to deserve. But this is much more than rubbing out a Mafia clan. It requires the mobilisation of the force of the Russian state.

Liberal deputies like Mr Shabad are worried; they say they will raise the issue of Russian support for the opposition in the parliament. The National Patriots and middle-ranking army officers like Col Mozheev now want their say, and Chechnya is where they want it said.

This can only strengthen the nationalist mood in Russia, especially if the Chechens carry out their threats of terrorism. Faced with an irreconcilable foe, pushed by an impatient military and their supporters, unpopular, lacking economic success, increasingly distant from one-time democratic allies, Mr Yeltsin has a temptation before him - to go in and sort it out.

Gen Dudayev is no longer a hero - the past three years have been too hard, his power too corrupted for that. But the nation appears united against Russia. Russia may take it, but it is unlikely to hold it in peace.

John Lloyd
in Chechnya

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السبيل من العمل

UK inflation, as Mr Kenneth Clarke reminded listeners to his Budget speech this week, has not been so low since England won football's World Cup in 1966.

But in the following year, two national humiliations occurred: the pound was devalued and Scotland defeated England at Wembley. There has been little but bad news on either the football or the inflation front ever since.

Investors in UK government bonds, or gilts, have suffered third division returns for much of the intervening period, since inflation erodes the value of fixed income investments. An investment of £100 in gilts in 1966 would, in inflation-adjusted terms, have been worth just £24 by 1993, even allowing for the reinvestment of all gross income.

Only in the last few years have gilts rebounded sufficiently to earn investors a decent return. Nevertheless, at the end of 1993, that original £100 was still worth just £151, according to E2W's Equity-Gilt Study, whereas the same sum invested in UK equities would have generated £483.

This year has seen a return to the bad old days for gilt investors. The FT government securities index has dropped from 187.5 on January 3 to 92.2 yesterday, forcing the yield on medium-term gilts up from 6.1 to 8.46 per cent.

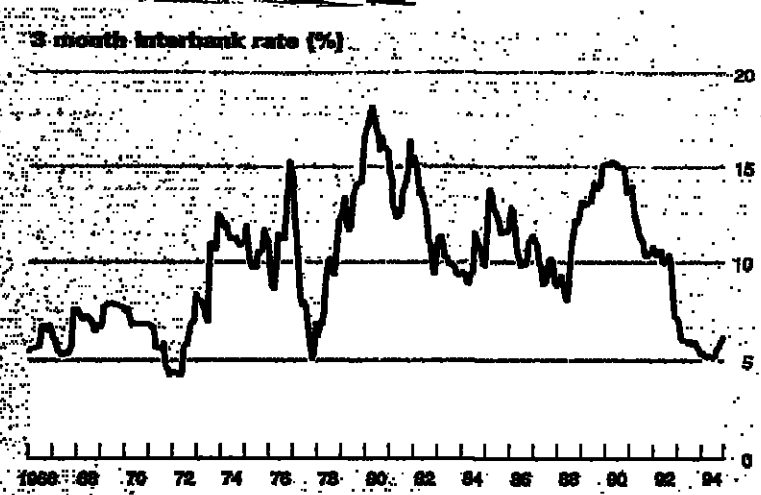
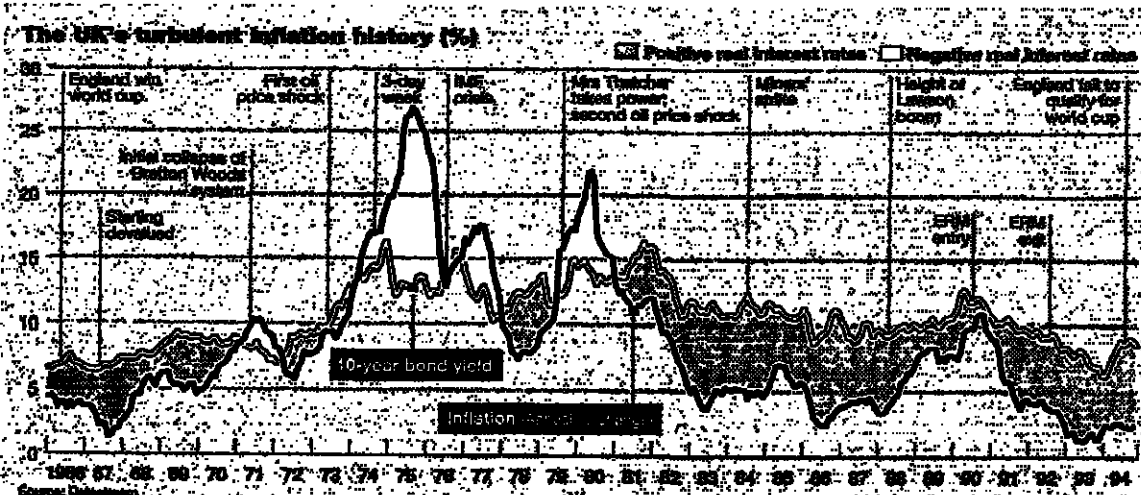
A look at the chart, however, shows that the real (inflation-adjusted) return on gilts currently looks quite attractive in historical terms. The benchmark 10-year gilt was offering a yield to maturity of 8.46 per cent at the start of trading yesterday. That compares with a headline inflation rate in October of just 2.4 per cent.

Inflation may have reached its trough as the recovery starts to pick up speed both in the UK and worldwide. But even if one assumes that inflation rises to the top of the government's 1.4 per cent target range, that still means gilts would offer a real yield of around 4.5 per cent, compared with negative returns for much of the 1970s.

Furthermore, after the Budget, UK government finances appear in good order. Mr Clarke forecasts the public sector will be in surplus by 1996-97. By 1996, it will meet two of the main Maastricht criteria for joining European monetary union: its deficit will be 3 per cent, and gross debt will be below 60 per cent of gross domestic product.

In contrast, the likes of Belgium, Italy, Spain and Denmark seem in danger of failing to meet one of the criteria. That may make UK gilts look more attractive to international investors.

In the longer term, UK investment institutions may also be more willing to buy gilts than in the recent past, so supporting prices. For a start, pension funds are likely



An investment for the top drawer

Although gilts look like a good long-term bet there is no rush to buy, says Philip Coggan

your top drawer, there hasn't been a better time for a generation. Mr Keith Skeoch, chief economist at James Capel, agrees. "If you are willing to hold gilts until redemption, they are exceptionally good value," he says.

But in the short term, the outlook does not look so good. Mr Skeoch says it is "very unusual for a bond market to rally without seeing the top in short-term interest rates". It is normally difficult for gilt prices to rise when interest rates are increasing sharply.

Whether or not UK rates are increased after this week's meeting between Mr Clarke and Mr Eddie George, governor of the Bank of England, most people believe they will go up early in the New Year. The Confederation of British Industry expects base rates, currently 5.75 per cent, to reach 7.5 per cent by 1996.

"UK markets are uncertain about chances of an imminent base rate rise," says Mr Ian Shepherson, UK economist at

Midland Global Markets.

The world economic situation is not of a type normally conducive to a strong performance by bonds. "It is difficult for bonds to rally at a time when economic growth is strong and cyclical inflation is rising," says Mr Skeoch. He emphasises that it is important to disentangle the long-term shift to a low-inflation environment from the cyclical position of a UK economy growing at 4 per cent a year against a background of rising commodity prices.

Furthermore, Ms Katy Peters, senior economist at Dalwa Brown, points out that a "lot of money went into gilts expecting a good Budget", and such a large spike is usually followed by a reaction. Markets are also likely to be jittery until it becomes clear how much Mr Clarke will give away in pre-election tax cuts.

So while gilts may look a good long-term bet, there is no rush to buy. Income-seeking private investors could be tempted to wait until April when, following a Budget change to personal equity plan rules, it will be possible to own tax-free corporate bonds and preference shares instead.

Still, gilt investors should count themselves lucky. The patience needed by the buyer of government securities is as nothing compared with that required of the England football supporters. Roll on the World Cup of 2006.

Films have had a good year, but costs are rising, says Alice Rawsthorn

Flicker on the big picture

When 20th Century Fox released *Miracle* on 24th Street last month, it hoped the film would be a Christmas hit. But last week, Fox was forced to offer "your money back if you don't enjoy it" in a desperate attempt to persuade US cinema goers to see it.

Miracle is now vying with Kenneth Branagh's critically acclaimed *Henry VIII* for the title of becoming the coldest turkey of Christmas 1994. Both have flopped badly in the US in a prosperous period for the movie business, as hit films such as *Interview with the Vampire*, *Star Trek Generations* and *The Lion King* break records at the box office.

Yet concern is mounting in the industry about the spiralling cost of film-making and declining profitability. Hollywood was shocked by the recent announcement that Sony, the Japanese electronics group, had fallen into the red in the first half of this year after making a ¥965bn (£1.7bn) write-off on its US film interests.

Sony apart, 1994 has been a good year for the industry on the revenue front. The US box office has taken more than \$4.5bn so far this year against \$4.35bn in the same period of 1993, according to *Variety*, the industry magazine. Christmas looks set to continue this success, with the top 30 US films having taken \$100m during last weekend's Thanksgiving Holiday, ahead of 1993's \$92m.

Business is similarly buoyant in other countries with cinema attendances rising in new markets in Asia, eastern Europe and Latin America, as well as in western Europe where there has been heavy investment in new cinemas and multiplex complexes. Industry estimates suggest that markets outside the US now represent 60 per cent of box office returns, against 40 per cent 10 years ago.

Despite this, success in the US is usually critical in determining a film's long-term prospects in other countries. "This industry is glued to the *Variety* league tables," said Mr Michael Kahn, chairman of PolyGram Film Entertainment. "If a film isn't a hit when it opens in the US, it really won't succeed elsewhere."

The rewards for successful

slice of that pie," said one investment banker.

As a result of this influx, the industry has increased its output. More than 200 films have already been released in the US this year, against 190 in the same period of 1993, according to *Hollywood Reporter*, the trade magazine. There are now 262 films in production or pre-production, 44 more than at this time last year.

This increasingly crowded market is forcing the industry to pay more to attract stars. The "talent" deals hit the headlines - such as the news that New Line, one of Mr Turner's film subsidiaries, will pay \$12m to Ms Julia Roberts and \$8m to Ms Meg Ryan to star in its remake of *The Women*, the 1939 classic.

But marketing costs are also escalating as competition intensifies. The total marketing budget of a \$40m or \$50m film will typically be \$20m to \$30m, with roughly \$12m spent in the first weekend of a US launch. It can cost more to publicise a small film than to make it. *Four Weddings and a Funeral* took less than \$5m to produce, but PolyGram spent \$18m on publicity in the US alone.

"Why is movie marketing so expensive? Because people panic," said Mr Frank Mancuso, chairman of MGM. "There's so much money at stake when a film comes out. If the marketplace is cluttered, you've got to shout very loud to make your voice heard."

The increase in costs make unsuccessful films even more expensive. The failure of *Frankensteen* could cost Sony tens of millions of dollars.

And even for the successful films, the returns may not be spectacular. Most studios now spread the risk of a flop by bringing in other investors or paying the stars with part of the profits. This cushions their exposure to flops, but also reduces their profits on hits.

"We're in a situation where it costs more to make a motion picture but the returns are getting smaller and smaller," said Mr Sidney Sheinberg, president of MCA/Universal.

As Sony's plight suggests, the situation cannot continue indefinitely. "Assuming that this industry is composed of people not all of whom are totally stupid," says Mr Sheinberg, "we've got to do something to stop it."

Hollywood: passing the screen test

Highest grossing films in the US and Canada opening between 1 October and 27 November

Film	Studio	Weeks	Gross (\$m)
1. Interview with the Vampire	Warner	3	83.4
2. The Shogun	Buena Vista	3	70.3
3. Star Trek Generations	MGM/UA	6	69.2
4. The Lion King	Walt Disney	7	63.8
5. Star Trek Generations	Paramount	2	49.0

US majors' market share of North American box office

Company	Percentage	Total
Warner	15.2	12.1
Buena Vista	14.8	11.7
MGM/UA	14.5	11.4
Walt Disney	14.1	11.0
Paramount	13.9	10.9

Source: *Variety*, November 27, 1994

Why is movie marketing so expensive? Because people panic

The studios expect continued growth in these areas. They also hope for a further boost from video-CDs, which should be widely available by the end of 1995. With superior image and sound to cassettes, they could stimulate video sales just as the launch of compact discs boosted sales of recorded music.

This outlook has brought a flood of new investment to Hollywood. Mr Ted Turner, the cable TV entrepreneur, and PolyGram, the UK music group, have increased their film interests in the early 1990s by start-up and acquisition. Both had hits this year - Mr Turner with *The Mask* and PolyGram with *Four Weddings and a Funeral* - and are now moving on to bigger budget films.

There is also the arrival of the "dream team" of Mr Jeffrey Katzenberg, former head of Walt Disney's film division, Mr Steven Spielberg, the Oscar-winning director, and Mr David Geffen, the billionaire music mogul. They appear to be having no difficulty in interesting investors in their plans for a new entertainment group. "Every one on Wall Street wants a

The prominence that the French press has been giving over the past few months to the corruption scandals wrecking the country is provoking a political reaction.

It is not as harsh as that of Shakespeare's Cleopatra, who told a messenger she should be "whipped with wire and staved in brine" for bringing her bad news.

It is more a desire among politicians to put a stop to the torrent of corruption stories in the press. These have precipitated the fall of three government ministers: Mr Gerard Longuet, the industry minister, Mr Alain Carignon, communications minister, and Mr Michel Rocard, foreign minister. They have also hit the share prices of top companies implicated in the scandals, such as Alcatel, Générale des Baux and Lyonnaisse des Baux.

In many of these stories, the press has been able to draw on investigating magistrates' dossiers, even before they have been presented to the suspects. A recent amendment to a justice bill passed by the National Assembly would prevent the publication of information relating to people who are the subject of an inquiry or judicial investigation without their consent.

The amendment, proposed by Mr Alain Mérieux, a Gullist MP and former magistrate, may get no further. It was voted through by only a handful of deputies in a late-night session, and may be defeated when it goes before the Senate later this month.

Even if the amendment falls, however, the Balladur government is working on ways to prevent magistrates' dossiers leaking to the press. Yesterday, Prime Minister Edouard Balladur's commission on anti-corruption reform insisted that secrecy must be maintained.

These attempts to clamp down on press leaks come at a time when the French press has been flagellating itself - or, more specifically, the magazine *Paris-Match* and journalist Mr Philippe Alexandre - for breaking the taboo on delving into the private lives of politicians. The weekly news magazine revealed what President Mitterrand had maintained his second family on government property, and therefore at taxpayers' expense.

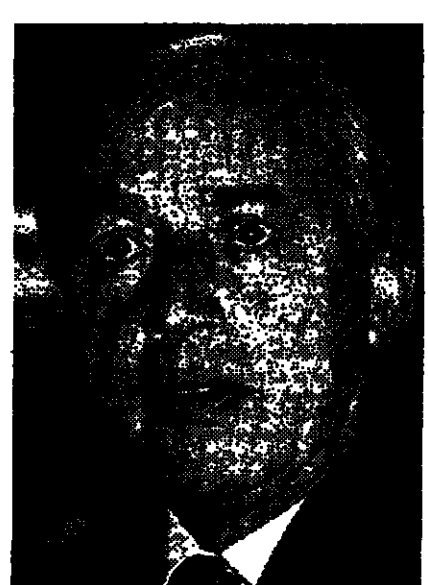
But the French law on privacy, which strongly protects individuals against press intrusion, is strongly upheld by the courts and by public opinion. Politicians generally expect to keep their personal lives to themselves. They are also expected to keep quiet about them: the aberration of Mr Michel Rocard, the former Socialist prime minister, in announcing to the press in 1991 that he was separating from his then wife was partially excused on the ground he was a Protestant.

Some of the moral outrage directed at *Paris-Match* and Mr Alexandre has been tactical. As in countries such as the UK, the tabloid press is constantly warned that its latest antics may precipitate legislation to control it. The French press, therefore, does not want allegations about invasions of privacy used as a pretext to muzzle it just when it is getting its teeth into political corruption.

The semblance of government control over the French press has been slow to

Bad news for the papers

David Buchan examines French concerns over press revelations



Pierre Maitre, Justice minister

What went virtually unremarked was the legitimate public issue that President Mitterrand had maintained his second family on government property, and therefore at taxpayers' expense.

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The semblance of government control over the French press has been slow to

disappear in France. It was only last summer that Mr Charles Pasqua, the interior minister, moved to disband the "political police" function of the Renseignements Généraux, a French security service, after an RG agent was found to have eavesdropped on a Socialist party meeting. Up to them, French national newspapers always had an RG man stationed at their printers to check the first editions for anything sensitive or objectionable to the government, though this rarely ended in an attempt at censorship.

In addition, French politicians still routinely insist on vetting the wording of interviews they give to the press before these appear in print. And the government gives newspapers some FRF (1949m) a year in cash and postal subsidies.

But the French press is as aggressive in its pursuit of the government and business establishment as its Anglo-Saxon counterpart. In exposing recent scandals, it has been able to ride on the back of a judiciary that has suddenly taken the bit between its teeth in investigating corruption. Magistrates' investigations are normally protected from exposure by the *secret d'instruction* (secrecy of judicial investigation), which prevents law and police officers from disclosing details of the case during its early stages.

Secrecy is necessary because, during the long process of investigation, suspects have fewer rights than under Anglo-Saxon law. They are, for instance, not allowed to have a lawyer present for the first 19 hours of their detention, and even after that can find it hard to discover the charges against them.

However, the press is exempted from the *secret d'instruction* by the freedom of expression provisions of the Declaration of Human Rights of 1789, and can therefore legally print any leaks it gets. Some magistrates have been quietly happy to leak details of cases to the press to prevent them being stifled by the judicial hierarchy. A prosecutor in Valenciennes, for example, has been giving open press conferences about his investigations into football bribery allegations concerning Mr Bernard Tapie's Olympique-Marseille team.

A new balance between an individual's right to be protected by judicial secrecy and the public's right to know will have to be found, as Mr Pierre Maitre, the justice minister, recognises. A degree of secrecy may be maintainable, he says, provided French magistrates can shorten their often interminable investigations.

But even during the investigation period, "windows of information" might be released, particularly in cases involving politicians. Perhaps magistrates could be given their own press officers, he suggests. The most troubling of French investigative reporters might scoff at this. But it would suit most of their colleagues.

The French press in general certainly does not want the public coming to agree with the retort of Cleopatra's messenger: "The nature of bad news infects the teller."

Docklands was Heseltine's, not Thatcher's, vehicle

From Mr Simon Streater.

Sir, Peter Marsh has walked London Docklands and interviewed residents ("Tales from London's rebuilt inner bank", November 26/27). However, if he thinks that the London Docklands Development Corporation "was established as a Thatcherite vehicle", he still has some way to go. Mrs Thatcher was not remotely interested in inner city regeneration.

It was Michael Heseltine in Docklands, just as it was in Liverpool; and he deserves a place in history for it, because the alternative, probably much dearer to the iron Lady's heart, was to leave the place to rot.

The resident he quotes as gazing towards Canary Wharf and commenting: "It's all shit, I wish the IRA would blow it up," can perhaps be left to stew in his own can of beer, which Mr Marsh describes him as putting down to give us the benefit of his views. But the others who complain that they haven't received any advantage from the new jobs in

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

The real purpose of competition policy

From Mr Simon Bishop.

Sir, Your editorial on Sir Bryan Carsberg's decision to step down as director general of the Office of Fair Trading ("Trading places", November 30) appears to perpetuate the myth that the purpose of competition policy is the protection of the consumer.

Competition policy in the UK, and elsewhere, is based on the notion of public interest - that is, the long-term interests of society as a whole and not the short-term interests of consumers.

It was this confusion over the aims of competition policy which brought Sir Bryan and the OFT into conflict with the Monopolies and Mergers Commission.

The most vivid manifestation of this conflict arises over the different approaches taken by the OFT and MMC to so-called vertical restraints. The OFT under Sir Bryan views any vertical restraint with suspicion.

Put crudely, it believes that all vertical arrangements are put in place simply to enable companies to increase prices to the overall detriment of the consumer.

In contrast, the MMC has a much more agnostic view. It recognises correctly that in many cases vertical arrangements are pro-competitive and benefit the consumer.

Moreover, it is important to remember that the OFT's assessment of the competitive effects of vertical arrangements is necessarily limited - its role is one of separating those cases which clearly do not raise any concerns from those which might.

Any decisions it takes, therefore, should be seen as no more than preliminary. In contrast, the role of the MMC is to undertake a much more thorough investigation of those cases referred to it by the OFT. The fact that a lengthy and in-depth investigation often reveals no public interest issues should not be cause for consternation.

Competition policy requires individuals who are capable of dispassionate and objective economic analysis and who recognise the complexities of business. As you say, finding a suitable new director general will not be easy.

Simon Bishop, *Leicester, 40 Long Acre, London WC2E 9JT*

Perhaps 'splendide isolement' should be the fate of the UK

From Mr Pierre Kermes.

Sir, Having read what Patrick Nicholson, a Tory MP and former vice-president of the Conservative party, thinks of France and the French, it is, I must say, more and more difficult for a Frenchman to be an anglophile ("Outspoken Tory resigns party post", November 26).

After all, perhaps the Europeans from the continent should leave Britain in her splendide isolement.

Just as Talleyrand once said, "what is excessive is without meaning". Let us hope that

Importance of 'positivity' in confronting cancer

From Mr Rex Winsbury.

Sir, As someone recently diagnosed as having terminal cancer, I am pleased that the articles on cancer by Clive Cookson (Technology: "Closing in on a serial killer", November 29 - first in series) will deal with diet, food supplements and alternative remedies - with some sympathy, I hope, since they are often (as in my case) ignored by conventional medicine as unproven or cranky.

Since being written off by the National Health Service, I have met many people who, by various combinations of radically altered diet, radically altered life-style and personal determination, appear to have fought off "the crab". For how long, of course, who can say? Perhaps I shall find out.

But some doctors attest to the fact that those who attain that hard-to-define but all-important "positivity" last longer. That should be part of the scientific evidence - and "positivity", unlike certain drugs, has no nasty side-effects.

Rex Winsbury, *Flat 3, 45 Montpelier Grove, London NW5 2XG*

Share trade concern is valid

From Mr M E R Robinson.

Sir, I believe the Office of Fair Trading is correct to express concern over market-makers concealing trades in large blocks of shares from institutional investors ("OFT says stock exchange price secrecy 'uncompetitive'", November 26).

Institutions should operate broadly within the constraints of the Normal Market Size, just as everyone else does.

Surely the solution lies in finding ways to boost liquidity, rather than attempting to engineer liquidity where it does not exist?

M E R Robinson, *26 Fairfield Close, Grove, Oxfordshire OX12 0NQ*

COMPANY NEWS: UK

Government under fire from failed bidders for British Coal

Row over RJB price discount

By Michael Smith

The government was embroiled in a bitter row over coal privatisation yesterday after confirming that RJB Mining, its preferred bidder for the English regions, will pay £98m less than its offer price of £914m.

Failed bidders complained about a deal which allows £116m of the £914m final price to be paid in instalments over three years, after an initial payment of £898m.

The reduced price and deferral of some payments was viewed in the City as increasing the chances of RJB raising the £98m needed to finance its controversial bid for what it describes as English Coal.

However Mr Christopher Stanforth, a managing director of Guinness Mahon, said his client, Coal Investments, had been told by government advisers that its bid would have been invalid if it had included an element of deferred consideration.

Another failed bidder said he had not known deferred payments were possible.

Mr Stanforth said that if his client had known such an arrangement was possible, it could have increased its offer. "The rules have been changed to suit the bidder because he could not afford the price he offered. I do not see how the government can know it got the best price."

The Department of Trade and Industry said RJB was being treated no differently from other bidders. The bid rules had not excluded deferred payments.

It is understood that at least one of the deals for the South Wales and Scottish regions

could involve staged payments.

Coal Investments, led by Mr Malcolm Edwards, is part of the Mining Scotland consortium which is preferred bidder for Scotland.

Mr Tim Eggar, energy minister, told Parliament yesterday that Mining Scotland would acquire the Scottish mining assets of British Coal for £39.4m and up to £10m extra for increased levels of stock.

As in the English regions, this was lower than the bid price. In the case of RJB the adjustments of £98m related to changes in expected levels of coal stocks and liabilities disclosed after bids were submitted.

Mr Eggar said RJB's final bid price of £914m represented the "best value for money" for the government.

The government's statement coincided with publication by RJB Mining of its "pathfinder prospectus" laying out the details of its bid and projections underpinning it.

The company, capitalised at £157m, is forecasting pre-tax profits of £16m (£12.2m), above expectations, for its existing business this year, earnings per share of 23.8p (22.7p) and a net dividend of 12.5p (12p).

Barclays de Zoete Wedd, advising RJB, expects to publish a final prospectus, including the price of shares to be sold to finance the bid, by Tuesday December 13. The share offer would close on December 20. RJB has scheduled an EGM for December 29 and expects to take control of the regions on that date.

In the pathfinder, RJB says that of the deferred payments £98m will be paid in two instalments of £49m, with interest at 1 per cent per annum above

Projections* for English Coal

	1995	1996	1997	1998	1999
Profit and loss (£m)					
Turnover	1,242	1,275	1,258	1,218	1,238
Operating costs	(1,075)	(1,082)	(1,083)	(1,038)	(1,038)
Operating profit	167	226	234	185	200
Net interest	(49)	(54)	(19)	6	20
Profit before taxation	119	124	219	191	220
Profit after taxation	75	122	142	124	144
Cash available for debt repayment, deferred consideration and dividends	137	215	230	210	222

*These do not constitute a forecast. They could be materially affected by economic, regulatory and other circumstances.

Principal Assumptions

	1995	1996	1997	1998	1999
Volume sold (m tonnes)	35.3	35.7	34.7	34.1	33.8
Volume produced (m tonnes)	33.4	34.4	33.6	33.6	33.2
Average selling price/GJ (£)	1.43	1.40	1.38	1.32	1.32
Average cost/GJ (£)	29.8	29.7	29.8	30.5	29.6
Average cost/GJ (£)	1.21	1.17	1.14	1.13	1.06

Including overheads and inflation

SENSITIVITIES

Increases/decreases in profit before interest and taxation

	1995	1996	1997	1998	1999
Net contracted sales volumes*					
+10 per cent	10.5	12.1	11.8	36.2	38.8
-10 per cent	(10.5)	(12.1)	(11.8)	(36.2)	(38.8)
Non contracted sales prices*					
+5p/GJ	7.1	7.3	8.3	36.9	47.9
-5p/GJ	(7.1)	(7.3)	(8.3)	(36.9)	(47.9)
+10p/GJ	14.2	14.6	16.6	73.8	95.8
-10p/GJ	(14.2)	(14.6)	(16.6)	(73.8)	(95.8)
Total costs					
+5 per cent	(50.7)	(50.3)	(48.9)	(48.6)	(46.5)
-5 per cent	50.7	50.3	48.9	48.6	46.5
-10 per cent	101.4	100.6	97.8	97.2	93.0

*All amounts in £m Source: RJB's Pathfinder Prospectus

bank base rate. A further £39m is payable in three instalments, together with 9 per cent interest, on the first three anniversaries after completion.

RJB will raise about £40m through a share issue and £49m through bank debt.

RJB said it would increase dividends progressively. However, until the level of post-ac-

quisition debt reduced substantially, a higher level of dividend cover than for the current financial year would not be appropriate.

RJB said the final price adjustments meant that the company would be taking on more liabilities and less coal stocks than it expected when it made its £914m bid.

Midland Independent Newspapers, publisher of the Birmingham Post and Mail, told the government that the acquisition should remain blocked.

The Bailey Forman group was put up for sale this summer in an auction organised by BZW, the merchant bank.

The final sale price was very much at the higher end of newspaper industry expectations.

If the deal were to fall through, it would pose considerable difficulties for Bailey Forman. Bids from other potential owners could start at about £20m less than the DMGT bid.

However, it will be the securities side of BZW, always its stronger dimension, that takes the credit from other investment bankers, not the corporate finance department. "They bid way more than they need have done. If the broking side pulls it off, then it will be a great triumph for them," said a director at a UK house.

Wellesley-Wood, coal specialist at Kleinwort Benson, the investment banker to a rival of RJB's, conceded, "You can criticise an adviser but the primary responsibility lies with the client."

The RJB deal does nevertheless matter to BZW. The performance of the enlarged group and its leader, Mr Richard Budge, will reflect on the investment bank's choice of clients. Rival bidders have questioned the accuracy of RJB's assumptions in a bid to which BZW put its name. The investment bank also advised RJB to put in a bid which turned out to be at least £300m more than rival offers.

Even flawless execution is no defence. One BZW executive said privately that somebody would have to take the rap if the bid failed and BZW could receive a share of the blame.

Daily Mail close to finalising Bailey deal

By Raymond Snoddy

The Daily Mail and General Trust is expected to win the right to push ahead with the £92m acquisition of T Bailey Forman, publisher of the Nottingham Evening Post, despite the opposition of the Monopolies and Mergers Commission.

It is believed a deal is close to being finalised between the DMGT and the Department of Trade and Industry, under which the publishers of the Daily Mail will make a number of compromises in order to get a deal.

The deal on offer would involve DMGT setting up independent editorial boards for the main Bailey Forman titles to protect both their editorial independence and local roots. In addition, peripheral businesses would have to be sold.

The compromise has not yet been formally accepted by DMGT, but it is considered likely that it will do so.

The national and regional newspaper group was given until December 5 to convince Mr Tim Eggar, the trade secretary, that the deal should go ahead, despite the MMC view that the bid could operate against the public interest.

The main MMC objection was that the DMGT already owned the nearby Leicester Mercury and Derby Evening Telegraph through its Northcliffe Newspapers subsidiary. This would give DMGT too high a concentration in the east Midlands area.

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Browning-Ferris wins the day over Attwoods

By Peggy Hollinger

Attwoods yesterday snatched victory from the jaws of defeat in the hostile £391m cash bid from Browning-Ferris Industries, after a last-minute diversion which threatened to throw the US waste giant's offer off course.

Just five hours before BFI's offer closed, an unknown private Canadian company stepped in with the promise to bid £433m for the UK waste group.

The pledge came from Iktok, a waste recycling subsidiary of Sieber, which is a private Canadian agricultural group owned by an Austrian-born businessman.

Iktok's decision to enter the fray at such a late stage took the market and the bid protagonists by surprise. Even Mr Ken Foreman, Attwoods' chief executive, described it as an "unfortunate diversion".

The defence is believed to have cost up to £28m, including paying legal fees in the US and UK and charges for printing.

Attwoods' three advisers, SG Warburg and Robert Fleming of the UK and Smith Barney of the US, are thought to have agreed to divide a set fee.

BFI is thought to have paid about £5m in fees. Unusually, BFI retained just one adviser for its bid, CS First Boston. It is believed to be the first time a foreign bank has advised on a successful hostile takeover in the UK.

BFI said yesterday it did not expect to make any changes in the management team right away. Mr Foreman, who is on a five-year rolling contract, could be entitled to compensation payments of more than £500,000. He also owns just under 1m shares. "So I suppose you could say I won't go broke," he said.

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Attwoods' three advisers, SG Warburg and Robert Fleming of the UK and Smith Barney of the US, are thought to have agreed to divide a set fee.

BFI is thought to have paid about £5m in fees. Unusually, BFI retained just one adviser for its bid, CS First Boston. It is believed to be the first time a foreign bank has advised on a successful hostile takeover in the UK.

BFI said yesterday it did not expect to make any changes in the management team right away. Mr Foreman, who is on a five-year rolling contract, could be entitled to compensation payments of more than £500,000. He also owns just under 1m shares. "So I suppose you could say I won't go broke," he said.

The defence is believed to have cost up to £28m, including paying legal fees in the US and UK and charges for printing.

The right sort of weather for Wolverhampton & Dudley

By Frederick Oram, Consumer Industries Editor

Good summer weather gave a fourth-quarter fillip to Wolverhampton & Dudley Breweries and helped it lift pre-tax profits for the year by 5 per cent from £36.5m to £38.3m.

Volumes rose 2.5 per cent in the quarter, leaving volumes for the year down 0.5 per cent in a Midlands market off about 5 per cent. The group's larger volumes grew well, indicating that it suffered a fall in ale, but it declined to give a breakdown.

The latest trading period ended October 2 covered 52 weeks, against 53 weeks a year earlier. Adjusted profits were up 8 per cent. Turnover was up 3.6 per cent (or an adjusted 5.5 per cent) to £231m (£226m).

The results were also helped by lower production costs, a higher contribution from Camerons, the north-east brewery it acquired in 1992, and improved performance from restaurants and hotels. Food sales across the group rose by 23 per cent. Beer benefited from the group's first sales in draught cans and new products such as Zamek, an imported Czech lager. Sales through supermarkets and the free trade were also ahead.

"We have plenty of scope for growth in our own areas," said Mr David Thompson, managing director. Trading in the

first two months of this year were good in comparison with a weaker period a year earlier, but it was too early to extrapolate for the year, he added.

Pre-tax profits included £608,000 in property profits against £1.02m last time as the group continued to sell poorer properties and add new ones.

A final dividend of 8.8p is proposed for a total of 13.9p, up 10.3 per cent. Earnings per share were 39p (38.8p) after property profits and 38.5p (37.2p) before.

COMMENT
A new mood of optimism from management, particularly

about consumers' intentions, prompted analysts to nudge up their forecasts for this year. Pre-tax profits of £41.5p puts the shares on a prospective multiple of 12.5. This is a fraction behind a couple of other regional brewers such as Greene King. The shares are fully valued but offer steady growth to long-term holders. Do not expect a fix. The management, one of the most consistent and competent among the regionals, believes in working existing assets harder rather than buying new businesses.

as cable developed; BSkyB losing its stranglehold on key programming or having to pay more to keep rights; and changes in the technological or regulatory environment.

County NatWest has retained its valuation of £3.3m set earlier this year and Smith New Court, co-managers of the deal, have gone for £3.7m. Henderson Crosswhite, at the low extreme, has valued BSkyB at £2.6m, while other stockbroking firms are in the range of between £4m and £4.6m.

Pearson, owner of the Financial Times, has a 17.5 per cent stake in BSkyB.

Shares in Lillishall, the engineering and building products group, fell 15p to 123p yesterday, after the announcement of a £200m takeover bid by two UK window companies.

Mr Leek said that Ideal Windows, the commercial window subsidiary, had increased volumes but was suffering from competition, particularly in the local authority market.

Its retail window business, St Helens Glass, was facing weak consumer demand. The two

companies make up 25 per cent of group turnover.

On Wednesday, Anglian Group reported a sharp decline in interim profits because of reduced retail revenues and falling margins in the commercial sector.

Mr Leek said that the rest of the group was performing well. However Lillishall, which has made seven acquisitions in the last two years, including St Helens Glass in September 1993, would not rush into further acquisitions.

Shares in UniChem rose yesterday as the pharmaceuticals retailer and wholesaler bought another 43 chemists.

The deal takes its chain of pharmacies to 351 - well ahead of A&A, its main competitor - and consolidates its position as the third biggest in the UK, behind Boots and Lloyds Chemists. The shares closed at 258p, up 11p.

UniChem is acquiring Molescroft Holdings and Investment, a Humberside group that also has, in addition to the Sellenes shops, a small wholesale operation and a business providing occupational health and first aid supplies.

The maximum cost will be £19.24m, comprising £16m plus a sum in respect of net assets. It will be made up through the issue of 663,852 ordinary shares, valued at 256.2p, and £12.7m of loan notes. The balance will be paid in cash.

Mr Jeff Harris, chief executive, said Molescroft was one of the few independent chains of chemists still available for acquisition.

In September, UniChem announced a £58.4m rights issue to underpin its expansion. The group planned to use the funds to wipe out short-term borrowings, acquire retail outlets and move into other health-related businesses.

Molescroft made pre-tax profits of £739,000 on sales of £23.7m in the year to October 1993 - the last available accounts. It is expected to contribute at least £2.6m of profits in its first year.

Sellenes will join UniChem's Moss chain. However, the Sellenes name is well known in Humberside and will be retained for the foreseeable future.

Sellenes Medical, with sales of £2m, will be merged in UniChem's existing occupational health business. The Molescroft wholesale operation, which has external sales of £1m, will be merged in UniChem's national operation.

Helping a minnow swallow a whale

By Nicholas Denton

Much is at stake in RJB's rearing of minnows, the bid for the English coal mines, not least the reputation of its adviser, Barclays de Zoete Wedd.

For BZW has put itself on the line in what one rival calls a "rather heroic" effort to help a minnow swallow a whale.

The BZW seal of approval is an important component of the RJB bid. "BZW and Rothschild (the government's adviser) obviously add credibility," said one investor. But, he added: "Great names have given

Bear Sterns buys \$700m of Kidder Peabody bonds

By Richard Waters
in New York

Bear Sterns has bought nearly \$700m of mortgage-backed bonds from General Electric in a further liquidation of the bond portfolio once held by Kidder Peabody, GE's investment banking unit.

The sale is believed to account for the bulk of the complex derivative-type securities once held by Kidder.

Mr John Sile, an executive vice-president at Bear Sterns, refused to provide details of the type of securities the firm had bought, except to say that they were all collateralised mortgage obligations.

Although securities, these instruments share many of the characteristics of derivatives, since they provide a leveraged return based on underlying interest rates.

The most common types are interest-only bonds (IOs) and principal-only securities (POs), which are created by dismantling standard mortgage-backed bonds into separate interest and principal elements.

Bear Sterns is believed to have bought the securities in an auction among a small

number of Wall Street firms. Among those bidding, according to one rival firm, was Mr Mike Vranos, the head of mortgage-backed bonds at Kidder and the leading expert in the field on Wall Street.

Mr Vranos, who has yet to announce his plans now Kidder's individual businesses are being either sold to PaineWebber or closed down, was said to have been backed in the bid by money from a wealthy US business family.

The latest sale marks one of the most significant in the liquidation of Kidder's mortgage-backed bond portfolio, which stood at \$15bn in March but had been cut to \$4bn by mid-November.

The CMO market was hit harder than other sectors of the fixed income markets by the progressive rises in US interest rates earlier this year, due to the complexity of many of the instruments traded and the leveraged nature of their exposure to interest rates.

Commenting on the outlook for the CMO market, Mr Sile said: "We see it as slowly correcting itself over time. Equilibrium has returned."

Korea likely to approve Samsung car project

By John Burton in Seoul

The South Korean government is set to approve Samsung's project to become the country's fifth car manufacturer.

The company plans to start production in 1998, with an initial annual capacity of 50,000 cars increasing to 500,000 by 2002.

However, Mr Park Un-so, the vice-minister for trade, industry and energy, said yesterday the government was likely to approve Samsung's application to import car technology from Nissan of Japan after Samsung promised to take measures to avoid disrupting the Korean car industry.

The application is expected to be submitted next week.

Korea's car companies have opposed Samsung's plans, arguing that it would lead to excessive competition and weaken the industry, which is rapidly expanding production capacity to become the world's fourth biggest vehicle manufacturer.

The government shared those doubts and tried to dissuade Samsung, Korea's second largest industrial group, from proceeding with its \$5bn project.

Samsung will recruit engineers from abroad and source most car components from within the group, which would reduce competition with other Korean carmakers for these resources.

It promised that most of its output would be for export, to avoid affecting the domestic sales of the other carmakers, which rely heavily on the local market.

Samsung has lobbied the government intensely for the past year to approve the project, which it regards as vital to its ambitions of developing its heavy machinery operations to match the success of its electronics business.

Although Samsung will be much smaller than the other Korean carmakers, it plans to focus on the upper end of the market by producing three models of 2,000cc cars based on Nissan technology.

In what is regarded as an astute political move, Samsung will locate its car plant in the south-eastern port of Pusan, the home town of South Korean President Kim Young-sam. Pusan has recently suffered job losses due to the decline of its textile and footwear industries.

VW and Ford loosen Brazilian straitjacket

Autolatina's winding up is expected to take the whole of 1995, writes Patrick McCurry

The separation of Volkswagen and Ford's joint operations in Brazil and Argentina, announced on Thursday, could turn into one of the biggest and most complicated industrial divorces in history.

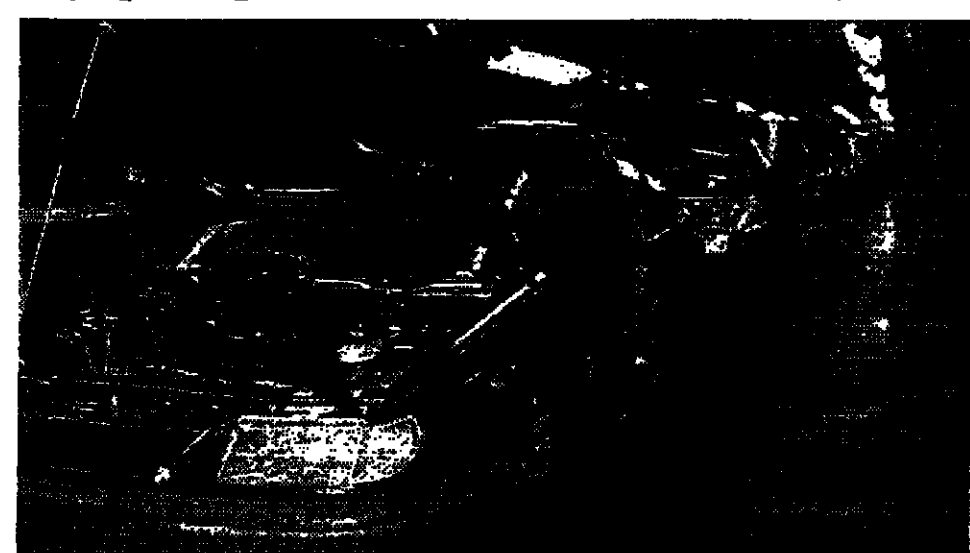
The winding up of the holding company Autolatina is expected to take the whole of 1995. The company is Latin America's biggest carmaker and Brazil's largest private sector company with expected sales of \$8bn this year.

In Brazil, where the vast majority of production is concentrated, the two companies share seven plants and 47,000 workers as well as purchasing, administrative, financial and legal services. Vehicle production was 612,000 units last year.

For VW, and particularly for Ford, there have been growing worries that what began as a hijack in 1987 when Brazil's car market was in a slump had become a straitjacket in the 1990s when production, and competition from imports, were soaring.

Mr Pierre-Alain De Smedt, Autolatina president and future president of the VW subsidiary, says the union was "the right decision at the right time". It allowed the two companies to achieve economies of scale by making similar-looking hybrid cars from joint production platforms at a time when Brazil's market was largely closed to foreign competition.

However, since 1990 Autolatina's structure has appeared increasingly ill-suited to an economy that has been gradually opening to imports and where production has soared following tax cuts and higher productivity. The trend towards global car production



Autolatina has benefited from Brazil's rising market but its share of the cake has shrunk

has also called into question the company's structure.

Like Fiat and GM, the other two main car groups in the region, Autolatina has benefited from Brazil's rising market but its share of the cake has shrunk. Brazil's production will approach 1.6m vehicles this year compared with 914,000 in 1990. But during that time Ford's share of sales has fallen to 12 per cent from 18.5 per cent and VW to 33.5 from 37.4 per cent.

Rivalries between the two dealer networks also played a key role in the split.

Earlier this year the VW dealers' association succeeded in its battle to stop the company turning over the new production platform for its best-selling Gol so that Ford could produce a similar car. The opposition symbolised a growing dissatisfaction, prevalent among both VW and Ford deal-

ers, that the two companies' sales and brand awareness were suffering from the joint venture.

There were tensions within Autolatina. "In the later years, with the move towards world cars, both sides got very protective about their research and Ford, for example, was worried that its numbers were being relayed to Germany," says one industry observer.

Mr De Smedt says the relationship was successful: "There were no more fights than in any other family."

He also stresses that Autolatina was almost continually financially successful. Last year, after-tax profits increased to \$377m from \$48m in 1992 and it only once made a loss, in 1991.

The task ahead will be to disentangle the companies' shared activities. Although the companies will return to their original factories the production of existing hybrid models

will continue until the end of the models' natural life, which will mean in practice beyond the distribution of Autolatina, says Mr De Smedt.

This means, for example, that the VW saloon models Pointer and Logos, which are built on a Ford Escort production platform, will continue to be produced when Ford returns to take over its plant in Taboão near São Paulo. Ford will continue to build the VW cars and sell them to VW.

There are important management challenges for both car makers. Ford, which dominated Autolatina's middle and upper management, particularly in finance, will have to find a new cadre of production managers. Conversely VW, which took charge of production management, will need middle and upper managers.

For Ford, the challenge is to increase its slumping market

share. Sales have been plummeting since the government announced in early 1993 large tax breaks for one-litre cars, which now dominate the market. Fiat's subsidiary has nearly doubled its market share to 26 per cent since 1990, partly thanks to its one-litre Uno Mille car but Ford has not had a small car to take advantage of the increased demand.

The company is likely to expand its product line by importing more models. Importing has become a more viable strategy since the Brazilian government recently reduced import duties to 20 per cent from 35 per cent.

The company is to import Fiestas from Europe next year and is planning a \$450m investment next year to build Fiestas locally. Industry experts add that Ford will probably need to import a more powerful engine to replace the current model developed in the 1970s.

VW's aspiration to return to its pre-Autolatina market share of 40 per cent is regarded as wishful thinking given the increased competition from both domestic competitors and from imports, which have increased sharply in the last two years to 10 per cent of sales compared with 4 per cent. However, it is still the dominant car maker in Brazil, which is VW's second most important market worldwide. Its strategy will be to rely on production of its new range of Golis, which range from one-litre models to a GTI model. It may also produce the Golf and Passat in Brazil.

The company said it was considering a \$100m investment in a commercial vehicles plant as Autolatina's lorry and bus factory in São Paulo will be returned to Ford.



Ferdinand Piëch: plan was based on cautious assumptions

Piëch intends to beat five-year plan targets

By Andrew Fisher in Frankfurt

Volkswagen yesterday said it intended to exceed the conservative performance targets in its five-year plan. This contained profit projections which were much lower than many analysts had forecast.

Mr Ferdinand Piëch, chairman of the German motor group, said the plan was based on a much more cautious set of assumptions than VW's previous plans and this was especially true for market share and volume forecasts.

He told analysts the figures

in its internal plan represented a level which could also be achieved under difficult circumstances. "Of course, it is our intention to exceed this planning in reality," VW has not said what the plan contains.

The report of the internal figures, believed to contain a pre-tax profit projection for 1995 of about DM900m (\$567m) which was well below market expectations, depressed the share price and led analysts to wonder if the company was playing down the extent of the recovery from heavy losses.

This could help create the right climate for more cost-cutting and for government financial inducements to encourage the trading in of old cars.

The VW planning document reportedly said the 1995 result could be up to DM200m higher or lower than in the plan, and sales would rise only modestly next year with price rises being difficult to implement.

The 1998 turnover target of DM1040m was believed to have been revised to DM1000m in 1993. In 1993, VW made a DM1.94m net loss on sales of DM7.58m.

Mr Piëch said although VW had performed well in the first 10 months, with world sales up by 7 per cent to 2.75m vehicles, a lasting car market upturn was not in sight. This was shown by the way markets had developed in the second half of 1994. He said VW was starting its reconstruction, with only 20 per cent of the intended improvements achieved.

Progress had been made in cutting costs and improving quality, but much work lay ahead before VW would be in the forefront of world competition.

Italian banks in negotiations over Credito Italiano's new bid

By Andrew Hill in Milan

Credito Italiano, the Milan-based bank, and Credito Romagnolo of Bologna were last night trying to reach agreement on the terms of a friendly bid by Credito Italiano for control of the Bologna bank's quoted holding company.

Full details of the new offer could be announced in the next few days, assuming it is approved by Credito Romagnolo and the Bank of Italy, which supervises the fragmented Italian banking sector.

Credito Italiano (Credito) last week offered to improve the terms of its bid, plans for which were first outlined at the end of October and rejected by Credito Romagnolo (Rolo).

The Milan bank has so far refused to specify whether it

will pay more than the price originally proposed - L19,000 a share - or offer to buy more than a 50.1 per cent stake in Gruppo Bancario Credito Romagnolo.

Last night, advisers to both banks were working together in Milan on the plans for a new bid. If Rolo decides to accept an improved Credit bid, it will put paid to the alternative plan for a merger with Caer, the parent company of another local bank, Cassa di Risparmio, in Bologna.

Under the terms outlined this week, Credit offered more management autonomy to Rolo, albeit for a limited period, guaranteed the rights of minority shareholders, and said it would recommend a dividend at least equal to 55 per cent of Rolo profit, in line with the trend in recent years.

Separately, Credit and the UK banking group National Westminster announced yesterday they were intending to sell their majority stake in Banca Creditwest e dei Comuni Vesuviani to Credito Emiliano Holding, a growing privately owned Italian banking group.

Credito owns 69.04 per cent of Creditwest, and National Westminster a further 19.2 per cent. Creditwest, which has about 20 branches and a headquarters in Milan, has been handicapped by its size.

Credito and NatWest said they had signed a declaration of intent to sell to Credito Emiliano and were now negotiating a price for the stake.

The 87.3 per cent stake in Creditwest could be valued at more than L120m (\$74m) Italian news agencies reported yesterday.

HBO and studios in Asian pay-tv venture

By Tony Jackson in New York

HBO, the pay-TV subsidiary of Time Warner, has signed a deal with two Japanese-owned Hollywood studios, Sony Pictures and MCA/Universal, for the exclusive pay-TV showing of their films in Asia.

The deal sharpens competition between HBO and Mr Rupert Murdoch's Star TV, a recent entrant to pay-TV in the region. HBO said it had brought in Sony and MCA (owned by Matsushita) as equity partners in HBO Asia, a joint venture originally formed between Time Warner and Paramount. Financial details were not disclosed, but all four partners will have an equal stake.

The deal brings together four studios - Columbia, Warner Bros, Paramount and Universal - which HBO said had between them produced 19 of

the 25 top-selling pictures in 1993 and 1994, and accounted for almost 70 per cent of US box office returns, excluding animated features. The deal gives HBO Asia exclusive pay-TV rights to current and future titles, as well as to the partners' film libraries.

HBO Asia is available in Singapore, Thailand, the Philippines, Indonesia, Taiwan, Brunei and Papua New Guinea, and will shortly be in Bangladesh. Talks are going on with the Chinese authorities over access to Chinese hotels. Subscribers at the start of this year totalled 300,000, and the figure is claimed to be higher.

The films will all be shown in English, with subtitles in Chinese, Thai and Indonesian. This contrasts with Star TV, which shows Chinese-language films as well as Hollywood productions.

Indonesian groups reveal swaps deficit

By Manuella Saragosa
in Jakarta

Indah Kiat and Tjiwi Kimia, Indonesia's two largest paper and pulp manufacturers, admitted they lost US\$47.5m in derivatives trading.

The companies join a string of international companies, including Procter & Gamble which have reported multi-million dollar losses on derivatives this year.

Yesterday's announcement is a reminder that derivatives risk extends to the developing world where financial markets are often less effectively regulated.

The Jakarta stock exchange said Sinar Mas, the holding company for the two companies, will absorb the losses so that reported earnings will be unaffected.

Sinar Mas is Indonesia's second largest conglomerate with interests in banking, property and plantations as well as paper.

The two companies suffered the losses from leveraged swaps with variable interest rates taken out before the US Federal Reserve started tightening its monetary policy in February.

The statement from the Jakarta stock exchange said the companies blamed their losses on rising interest rates in the US.

Tjiwi Kimia and Indah Kiat were forced to report the losses after details of the transactions

were revealed in local press reports, but brokers in Jakarta said they had been aware that the two companies were trading actively in the derivatives market.

The news is likely to dampen investors' enthusiasm for the stock. "This is only one of the cases which has been reported," said a broker at a British securities firm in Jakarta.

"My question is, if Sinar Mas wants to trade in derivatives why do they use their listed companies to do it?"

Indonesia's central bank is working with its counterparts elsewhere in the south-east Asian region to get a grip on the derivatives market. However, there are no plans to introduce regulations.

The Sinar Mas group is owned by the Eka Tjipta Widjaja family, one of Indonesia's wealthiest.

They are a majority shareholder in Bank Internasional Indonesia, which ranks as the country's largest listed bank in terms of profits.

Indah Kiat lost US\$35m in the derivatives market and Tjiwi Kimia lost US\$12.5m.

Indah Kiat recently reported that its net profit for the nine months ended September 30 this year totalled Rp131.57bn (\$61m), compared with Rp22.86bn, a year earlier.

Tjiwi Kimia's net profit for the same period rose to Rp78.10bn from Rp57.12bn the previous year.

Warner-Lambert splits units

Warner-Lambert of the US is dividing its consumer sector into separate consumer health-care and confectionery sectors, Reuters reports.

The group said it had named Mr John Walsh president of the consumer health-care sector and that Mr Frank Lazo would be president of the confectionery sector. The new positions will be effective from December 1.

Mr Walsh will continue as executive vice-president.

He most recently served as president of the consumer products sector.

Mr Lazo is a corporate vice-president and was president, Latin America, Asia, Australia, Middle East, Africa. He was named a member of the office of the chairman.

NKK revises cuts to steel workforce

NKK, the Japanese steelmaker, is now to cut steel jobs by 4,200 to 10,500 and costs by ¥200bn (\$2m) by March 1997, Reuters reports from Tokyo.

The figures are upward revisions of targets NKK announced in March this year, NKK said.

NKK, second in crude steel production in Japan after Nippon Steel, was hit by Japan's prolonged economic slump. In November, it posted a parent current loss of ¥37.91bn yen in the six months to September 30 1994. It then said it would cut steel jobs by 3,300 by the end of March 1997 from 14,700 in March 1993 and would cut costs by ¥175bn.

The revised cuts will be realised by streamlining production at two steelworks in Japan.

Rap to raise £1m less than expected

By Geoff Dyer

Rap Group, the rubber and plastics distributor, will raise £1m less from its flotation than was expected when its pathfinder prospectus was published on November 15.

In common with several recent new issues, Rap has had to alter its plans because of lower than expected institutional demand.

Mr David Bennett, chairman and chief executive, who co-led a management buy-out in 1991, said: "We obviously had to react to market conditions but the important thing is to get the listing."

According to the prospectus, published yesterday, Rap will receive £5.5m net from the flotation compared with an original estimate of £6.5m. The market capitalisation will be £15.1m, down from £17m.

The planned placing price of 145p was lowered to 135p and the prospective p/e for the year

to December 31 is 11.1, down from 11.5. Gearing will rise from an expected 12 per cent to 36 per cent.

The flotation involves the placing of 2.8m shares, 40 per cent of the equity capital. The eight member management team will sell a further 450,000 shares for £840,000, leaving it with a 36 per cent holding, and Causeway Capital, the only investor at the time of the MBO, will sell 1m shares for £1.42m, giving it a 23 per cent stake.

Of the £3.56m raised, £2.1m will be used to redeem the outstanding preference shares, currently held by Causeway. The remainder will be used to provide additional working capital and to finance further acquisitions. New shares will be issued for larger acquisitions.

The pre-tax profits forecast for the year to December 31 remains £1.7m, up from £1.2m in 1993.

Pearson expands in Spain

By Raymond Snoddy

Pearson, the media and entertainment group, yesterday took control of Recoletos, the Spanish publishing group, with the purchase of a further 10 per cent of the company.

The new stake, which cost about £15.3m, brings Pearson's interest in the Spanish group to 37 per cent.

Pearson, which owns the Financial Times, bought a small stake in Recoletos more than five years ago, as part of a policy of taking stakes in publishers of business and financial titles around the world.

Recoletos, publishes Marca, Spain's top daily sports newspaper. It also publishes Expansion, the business and financial daily, and other titles including Tevea, a women's magazine and Diario Medico, a daily medical paper.

Acquisitions help Scott Pickford

Last year's acquisitions helped Scott Pickford, the USA-quoted petroleum consultant, to raise pre-tax profits by 53 per cent from £209,000 to £321,000 in the six months to September 30. Turnover more than doubled to £4.13m, against £1.67m.

Mr Tony Birch, chairman, said the improvement reflected the changed nature of the business and the successful strategy of having developed a wider business base.

He said the group planned to make an acquisition worth up to £5m over the next year or so, which would most likely be funded through some form of share placing.

Earnings per share grew 31 per cent to 2.47p (1.99p).

Browne & Tawse

Brown & Tawse, the steel and pipes distributor, reduced pre-tax losses from £2.03m to £1.19m for the six months

NEWS DIGEST

to October 2.

After the sale of some subsidiary operations turnover was down from £53.5m to £38m. The interest charge fell from £813,000 to £573,000, mainly because of lower interest rates and the disposal of subsidiaries.

After a nil tax charge (£1.17m), losses came out at 3.7p (2.7p) per share.

Adare Printing buy

Adare Printing, the Dublin-based concern, announced the £4.15m acquisition of Great Northern Envelope Company and a 1-for-3 placing and open offer to raise £3.7m (£3.6m).

GNEC, which makes printed envelopes, had pre-tax profits of £589,000 (£388,000) in the year to February 28 on turnover of £4.78m. It is owned by Mr Tony Gill and Ms Jane Gill.

Adare will pay £500,000 in cash, £1.65m in loan notes and an allotment of 1.06m shares.

The 2.01m new shares in the offer will be priced at £1.25.

group, has sold Ketum (UK), its automotive components subsidiary, to Unipart Industries, for £21.8m cash. The consideration matched the value of Ketum's net assets.

Cox Insurance

Cox, a Lloyd's agency, and Raphael Zorn Bemsley, the stockbrokers, have raised £12m for a new company to invest in the insurance market next year.

The launch of Cox Insurance Holdings means the total extra corporate investment in Lloyd's this year may now exceed £250m. This is in addition to the £200m invested last year. The new company hopes to be listed on the stock exchange next year.

Blick purchase

Blick, the electronic and electrical equipment group, is paying a maximum £5.2m cash for TR Services (Proprietary), a telephone equipment distributor in South Africa.

TRS reported sales revenue for the 11 months to September 30 of £29m (£5.4m) and net assets total £15.1m.

Mercury European

Mercury European Privatisation Trust had a net asset value of 96.32p per share at September 30 against 95.5p at its launch on March 11.

Revenue after tax came to £8.5m. An interim dividend of 0.8p is to be paid on earnings per share of 1.13p.

Orbis disposals

Orbis has announced a return to profits and the sale of the manufacturing businesses of Hilcare.

First Security (Guards), acquired in June, contributed £2.9m to turnover of £4m (£1.1m) and £295,000 to operating profits, helping to offset the £79,000 loss from the Hilcare businesses.

Group pre-tax profits were £182,000 (£45,000) for the six months to September 30.

Orbis is building its security and related services and withdrawing from the manufacture of warning beacons, loop

alarms and lighting products. These are being sold to their management for £87,000.

An interim dividend of 0.125p is being paid from earnings per share of 0.62p (0.9p) losses).

B Elliott expands

B Elliott, the specialist engineer, is buying Flight Link Control and Crane Control Systems for a maximum £1.1m.

In addition, it is contributing £600,000 to a joint venture with Ohta Press of Japan to manufacture its range for the European market.

It is also setting up a 55 per cent joint venture in China to make its measurement and digital read-out systems.

Falcon declines

A drop in pre-tax profits, from £175,000 to £72,000, was announced by Falcon, the pipeline distributor, for the half year to end-September.

Turnover fell to £2.88m (£3.15m) partly because of the loss of some contracts to the water industry. The interim dividend is cut to 2.5p (3p), payable from earnings of 2.5p (5.3p) per share.

decline 18p

expansion

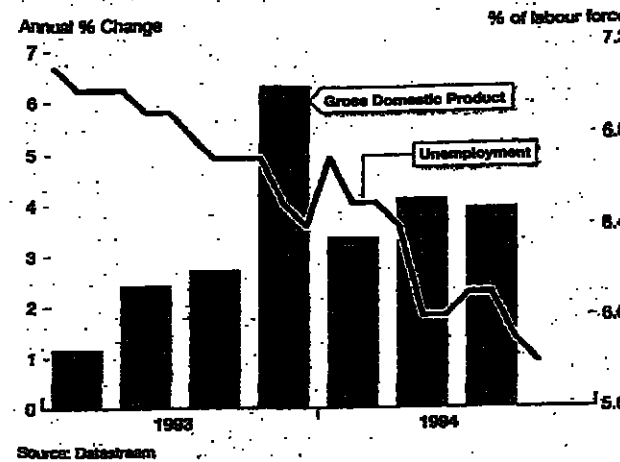
MARKETS

Wall Street

Haunting glimpse of a future imperfect

Bonds can see the light but the stock market omens are gloomy, says Patrick Harverson

As US economy grows, unemployment falls



Source: Datastream

pointed to continued growth in economic activity. The bond market's rally in the face of such seemingly negative data reflects an important shift in opinion among investors. Confident in the belief that the Federal Reserve's aggressive tightening of monetary policy (six interest rate increases in the past 10 months) will slow growth significantly next year and subside any inflationary pressures in the economy, investors are now impatient to bid (ie, good) news on the economy. After a dark and dismal 10 months, the bond market can see light at the end of the tunnel.

For the stock market, how-

ever, that light represents an oncoming train which, in the form of an economic contraction (or, quite possibly, a full-blown recession) is going to smash into corporate profits, equity valuations and investor sentiment. In anticipation of that collision, some investors are already taking flight. This week, fund managers reported that, for the first time in a long while, investors have begun to take more money out of stock mutual funds than they have been putting in.

Much of those cash outflows are heading into more money-market funds or bank certificates of deposit which offer investors a combination of security and increasingly attractive comparable yields. Although it is too early to tell if this trend will be sustained, the sight of money flowing out of mutual funds is a troubling portent for a market that has festered on huge demand from equity funds for the best part of four years.

To make matters worse, foreign investors also are shying away from the stock market because of concerns about the outlook for earnings and share prices. In the second quarter (the latest period for which data is available), foreign investors sold a net \$2.2bn of US stocks. It was the first time since mid-1992 that institutions and individuals overseas had sold more US stocks than they had bought.

When the foreign investors' sales, the outflows of cash from stock mutual funds, and the string of recent circulars from Wall Street brokerage houses recommending clients to cut their holdings of equities are all put together, the omens for the market are not good.

In a week when the latest musical version of Charles Dickens' *Christmas Carol* opened on Broadway, the stock market got a glimpse of its future. It was a haunting sight.

Dow Jones Ind Average				
Monday	3,738.58	+11.25		
Tuesday	3,738.58	+1.81		
Wednesday	3,738.25	+0.68		
Thursday	3,700.87	-38.58		
Friday				

Gilt issues - best value v tax status

Your capital gains on a gilt - a UK government bond - is tax free. However, you pay tax on the interest. Therefore, gilts which deliver a higher proportion of their total return as capital gains are more tax efficient, and - other things being equal - more attractive to higher rate taxpayers.

NON-TAXPAYERS		Stock	Price	Yield %	Volatility %
CONVENTIONAL	<5yr	Conversion 10.25%, 1998	107	8.50%	3.87%
	5-10yr	Treasury 8.75%, 2002	105 1/4	8.51%	5.37%
	10-15yr	Treasury 12.5%, 2003/05	122 1/2	8.53%	5.88%
	>15yr	Conversion 9%, 2011	105 3/4	8.41%	5.46%
INDEX-LINKED		Index Linked 2%, 1998	201 3/16	7.24%	1.87%
		Index Linked 4.825%, 1998	107 3/16	6.80%	3.89%
				4.17%	
25% TAXPAYERS		Stock	Price	Yield %	Volatility %
CONVENTIONAL	<5yr	Treasury 6%, 1998	90 7/8	6.80%	3.88%
	5-10yr	Treasury 7%, 2001	92 1/4	6.86%	5.38%
	10-15yr	Treasury 8%, 2002/06	96 3/16	6.47%	7.28%
	>15yr	Treasury 8.25%, 2010	82	8.52%	5.28%
INDEX-LINKED		Index Linked 2%, 1998	201 3/16	6.72%	1.87%
		Index Linked 2%, 2006	188 11/16	5.53%	9.76%
				3.41%	
40% TAXPAYERS		Stock	Price	Yield %	Volatility %
CONVENTIONAL	<5yr	Treasury 6%, 1998	90 7/8	5.85%	3.88%
	5-10yr	Treasury 7%, 2001	92 1/4	5.57%	5.28%
	10-15yr	Treasury 7.75%, 2006	94 23/32	5.26%	7.34%
	>15yr	Treasury 8.25%, 2010	82	5.45%	5.28%
INDEX-LINKED		Index Linked 2%, 1998	201 3/16	6.41%	1.87%
		Index Linked 2%, 2006	188 11/16	5.50%	9.76%
				3.08%	

Yield is redemption yield and takes account of any change in the capital value over period to maturity. Volatility is a measure of the sensitivity of the stock price to changes in yield. *Money yield (current inflation assumed). *Real yield. Source: BZW

"are tax-cutters by instinct" will have served only to remind gilt investors of past pre-election give-aways.

Indeed, if this Budget was remarkable for anything, it was in marking a policy shift away from the fiscal restraint of its predecessors in recent years towards what is likely to be a tax-cutting Budget next time.

But cuts, just at a time in the economic cycle when the output gap is closing and inflationary pressures are really beginning to bite, are hardly a comforting prospect for gilt investors even if interest rates do rise quickly.

Barry Riley

The changing face of taxation

You cannot impose levies on an international market

Why is a British chancellor of the exchequer proposing to freeze the tax on beer but remove another slice of the tax subsidies on housing? This is surely not traditional British political behaviour.

And why is he doubling valued added tax on household fuel, at substantial political cost, while also considering removing the withholding tax on government bond interest, a change that would gain not a single vote at the next election? It is easy to be impressed by the political bluster that may be used to justify such decisions, but less easy to distinguish the long-term pressures which are pushing the tax system in particular directions.

A British Budget statement is a curious ritual in which an apparently all-powerful finance minister produces a series of rabbits from a battered red box. Last Tuesday's speech by Kenneth Clarke was duller than most, but he still revelled in his ability to select arbitrary targets without warning or prior consultation. He proposed a tax on kiddies' arcade video games; surely you cannot get much meaner than that, although he knows the teenage lobby is a lot less powerful than the pensioner pressure groups which may yet scupper the proposal.

domestic energy VAT increase. Yet, when a government can no longer command a reliable parliamentary majority, the chancellor has to accept limits to his power. Once, in 1977, Denis Healey had to reverse a Budget petrol tax increase when the Liberals proved irresistible over the cost to Liberal-minded folk in remote country districts.

There is, however, a more important way in which tax gathering has become increasingly constrained. The economy has become open. Capital, goods and people flow readily across borders. This produces faster economic growth, lower costs and greater choice. But when tax authorities fail to recognise the implications, strange distortions follow inevitably.

Take the European Union's so-called single market. This has generated a bizarre chain of alcoholic drink transfers - from Italy and Spain into France, from France into the UK, and from the UK into Ireland. This northwards cascade of booze follows the geographical progression of alcohol taxation.

Consider also the way little Luxembourg has become one of Europe's biggest centres for investment funds, with assets worth more than \$350bn - substantially bigger than those of the UK's unit trust industry. This is due almost entirely to the tax-free status of funds there; this has proved

a magnet for European tax-dodgers, especially in Germany.

Britain is responding belatedly by introducing new, open-ended investment companies (Oeics) which will be able to pay dividends tax-free to foreigners. These Oeics probably will supplant unit trusts in due course.

The economy has become open. Capital, goods and people flow readily across borders

tax on an international market: after all, that was precisely why the Eurobond market came to London in the 1980s: to escape from US withholding tax. But to pay gilt-edged interest gross of tax could turn out to be a charter for evasion by domestic investors in Britain.

Ultimately, the tax authorities will have to wake up to the truth: that, if you eliminate borders, you can tax only the things that cannot move to a more friendly jurisdiction. You must stop trying to tax investments and company profits and goods that can be transported easily, and concentrate on taxing jobs, property and internal services.

Yes, property: it is quite likely that our houses will, over a period of years, finally cease to be subsidised and will become taxed quite highly. Owner-occupied housing became a remarkable tax shelter after the Conservatives abolished the old Schedule A tax in 1963. Houses were exempt from capital gains tax, and there was income tax relief on mortgage interest at anything up to 65 per cent. This tax haven status lasted until 1974, but then began to be undermined as inflation ate into the value of Healey's once-generous £25,000 ceiling for mortgages qualifying for tax relief.

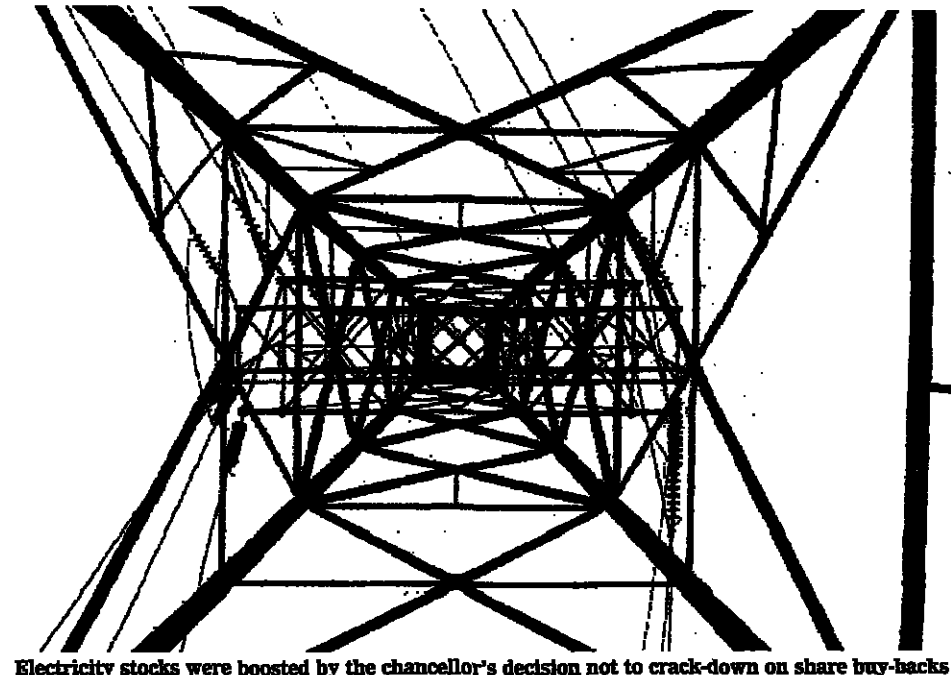
From next April, interest tax relief will be limited to 15

per cent on £30,000 of debt - worth no more than about £400 a year at present mortgage rates. This residual benefit is likely to be phased out, perhaps under the cover of income tax cuts elsewhere, over the next two or three years. Capital gains tax on first homes might come next.

How different is the trend in taxing investment. In the post-war environment, when Labour was in power, and when investors trapped in the UK by tough foreign exchange controls were sitting ducks for penal taxation, their "unearned" income was taxed at premium rates. The worst year was 1968-69 when Roy Jenkins imposed a special 12-month surcharge which pushed the top tax rate on investment income to 136 per cent.

Now, however, the top rate is 40 per cent. Moreover, there are useful tax-free personal pension plans, Tensas and Peps, the latter accumulating in a substantial way over a period of years and now open to corporate bonds as well as equities (although, curiously, not to the government's own gilt-edged bonds).

Clarke has added venture capital trusts to the list of tax shelters. How different this is to the style of Jenkins. But this is not just because Clarke is of a different political persuasion. It is because we live in a different world.



Electricity stocks were boosted by the chancellor's decision not to crack-down on share buy-backs

London

Better than a slow handclap

David Wighton on the Budget's effect in the City

If Kenneth Clarke was expecting the markets to give his second Budget the same rapturous reception as his first he will have been disappointed. After a yawn the City quickly picked up where it left off.

For the share market this meant worrying about Wall Street and interest rates.

London shares started the week in a more cheerful mood, in line with New York, but following the muted reaction to the Budget started to fret about rates again. In the US, there were fears that the Federal Reserve may increase rates again before Christmas. Back home Clarke did nothing to help by using the threat of higher rates as a whip to corral potential Tory strays.

Short sterling contracts, which reflect the immediate interest rate outlook, fell steadily through the week with some traders predicting a rate rise following Wednesday's meeting between Clarke and the governor of the Bank of England. The consensus is that Clarke will want to wait, at least until January.

In the gilt market short-dated issues weakened slightly but at the long end prices firmed on the grounds that the time of the Budget improved the longer-term outlook for rates.

Sceptics suggested Clarke was being less tough than he looked, and predicted he would cut and run when the election loomed. But even they had to admit the sharply falling budget deficit presents a bright background for gilts. On the chancellor's forecasts, he will have to sell around £18bn of gilts next financial year and less than £10bn the year after.

With UK institutions' appetite for gilts increasing they should continue to outperform other bond markets, pulling equities along in their wake.

But shares found little excitement in the Budget apart from Clarke's decision not to cut advance corporation tax further - yet.

The impact on particular stock market sectors was also undramatic although Clarke could not resist the temptation

to introduce another new tax. This time it was a proposed levy on all waste going into landfill sites. Due to be introduced in 1996 it seems bound to hit the profits of companies such as Shanks & McEwan, the shares of which fell 5p to 58p over the week.

The hard-pressed construction sector also felt aggrieved with a sharp cut in the government road building budget to add to its woes. But the changes to amusement machine duty will hardly be noticed by market leaders such as Bess.

Last year, a popular Budget (at least with the markets) was marred by a string of disappointing results from leading companies. This time the picture was reversed. Among the welcome corporate news the UK's two leading conglomerates, Hanson and BTR, both issued reassuring trading statements, though in BTR's case it did not have quite the desired effect.

A year ago Hanson failed to accompany its final results with an increased dividend for the first time in its history. While the company blamed the dull short-term earnings outlook the move renewed concern about flagging long-term prospects. But six months later Hanson stepped up the rate of its quarterly dividend, as its highly cyclical businesses started to turn, and this week it was brimming with optimism.

Over at BTR the City's main worry has been the pressure on its high margins from rising raw materials costs. The shares tumbled in September when it disclosed a small decline in margins in the first half. In this week's trading statement it said that margins had improved in the second half thanks to successful purchasing policies (that is, sharing the pain with its suppliers) and some price increases. But the statement failed to prop the shares which were further unsettled by news that it had appointed an outsider as chief executive at Australian subsidiary Nylex.

Seeboard got the electricity reporting season off to a cracking start with a 21 per cent increase in its interim dividend and a £22m package of rebates for customers. It also promised customers some of the benefits of next year's £4bn flotation of the National Grid.

Electricity stocks had already been boosted by Clarke's decision not to crack-down on tax efficient share buy-backs.

One of the companies that disappointed last year did so again this time. Shares in Argill fell 17p to 255p after it revealed that its Safeway chain had seen a 0.8 per cent fall in underlying sales in the past six weeks in spite of an aggressive marketing campaign. The City decided this was a reflection of Safeway's particular circumstances rather than a warning signal for the other leading supermarkets.

The week's nastiest shock was delivered by T&N on Budget day (always a bad sign). Once a leading supplier of asbestos T&N announced a £100m provision against future asbestos-related legal actions, just three months after a US court ruling that indicated a declining trend in claims. The shares took it very badly, falling by more than a quarter to 158p over the week.

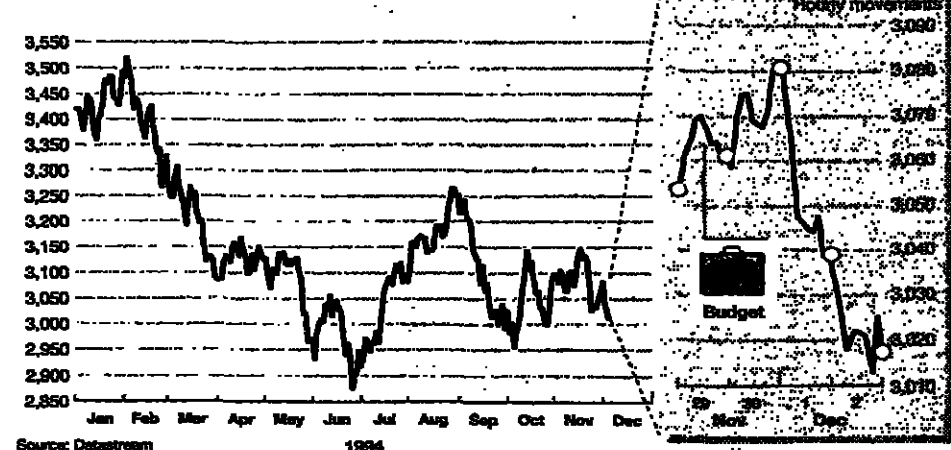
One of the clouds hanging over London equities is the threat that US mutual funds will be forced to sell UK shares to meet a flood of redemptions from unit-holders.

On Thursday, Emerson Electric of the US agreed a £204m takeover of Powys-based electronic drives group Control Techniques. The terms represented a 36 per cent premium to the market price before takeover discussions were announced.

Yesterday, US waste group Browning-Ferris won control of Atwoods in spite of a bizarre last-minute intervention by an obscure Canadian rival.

For Attwoods the white knight arrived too late. For Tory back-benchers Clarke refused to play the part at all and might have expected slightly more applause from the City in return.

FT-SE 100 Index



Highlights of the week

	Price	Change	1994	1994	
	Yday	on week	High	Low	
FT-SE 100 Index	3017.3	-16.2	3520.3	2876.6	Interest rate worries
A&A	335	-50	544	325	Warning over profits
Aero Hamble	31	+6	126	20%	Management changes
Anglian Grp	171	-29	378	171	Profits warning
Argill Grp	248	-20	316	222%	Results disappoint
Atwoods	120	+4	165	107	Rd situation
Eastern Grp	808	+15%	866	566	Yield buyers
Hanson	237	+10	302	217%	Encouraging figures
Hazlewood Foods	116	+10	194	104	Buying ahead of results
Kleinwort Benson	479	+9	693	424	US involvement
MEPC	369	-10	582	384	NAV falls below expectations
Royal Bk of Scotland	409	-14	528	377%	Worries over growth
Scottish Power	355	+7	498	325	Yield buyers
T & N	199	-59	261	157	Rights issue fears

AMERICA

Dow steady despite robust jobs data

Wall Street

Shares fluctuated within a narrow range in the wake of figures showing unemployment at its lowest level in more than four years, writes Lisa Branson in New York.

The Dow Jones Industrial Average was up 0.67 at 3,701.54. The Standard & Poor's 500 was off 0.16 at 448.75, while the American Stock Exchange composite dropped 0.57 at 430.52. The Nasdaq composite fell 1.34 at 730.85. Trading volume on the NYSE came to 157m shares.

The labour department reported that November's unemployment rate was 5.6 per cent, down from 5.8 per cent in October.

Although strong economic figures generally hurt Treasury prices, the 30-year bond

rallied strongly, taking heart from a decline in wage inflation to 2.6 per cent. Early in the afternoon, the long bond was up nearly a full point, with its yield pushed back below 8 per cent. Two-year bonds were unchanged at midday, helping substantially to flatten the yield curve.

The strong jobs report at the end of a week-long barrage of economic data indicating a robust economy, added to stock market worries that the Federal Reserve would raise interest rates again. That fear did not deter a 15-point Dow rally early in the morning, but some attributed to the bond rally and the Senate's vote late on Thursday to approve the Galt which is considered beneficial to most businesses.

Stock prices were mixed as news of lower-than-expected sales for some swamped out

early reports of strong consumer spending so far this holiday season. Dayton Hudson fell 1 1/4 at \$79.4, Kmart lost 1/4 at \$13.4, and Dillard's Department Stores dropped 1/4 at \$28.

Investors returned to Best Buy, pushing the shares up 1/4 at \$42.4. The electronics retailer lost more than \$11 after it reported earnings well below expectations.

Commercial banks, which tend to be extremely sensitive to changes in the interest rates, posted narrow gains. NationsBank rose 1/4 at \$45.4, BankAmerica up 1/4 at \$40.4, Chemical Bank up 1/4 at \$40.4, and Citicorp up 1/4 at \$40.4. Chase Manhattan Bank was unchanged at \$35.4.

Canada

Toronto stocks drifted lower at midday as investors reacted to

an increase in prime lending rates by Canada's leading banks to 7.50 per cent from 7.00 per cent.

The TSE 300 index eased 2.52 to 4,079.90 in volume of 34.8m shares valued at C\$362.2m. Declining stocks outpaced advances, 276 to 231, with 385 issues flat.

Gold and precious metals fell 64.63 to 8,699.29, while real estate sank 71.13 to 2,051.51.

Bramalea topped the TSE's most active list, falling 52 cents to C\$1.48 on 4.3m shares.

Gaining sectors included the metals and minerals group, up 73.21 to 4,010.17. Inco, the nickel group, was the market's

gain leader at noon, rising 3 1/4 to C\$39.4 on 331,609 shares.

Mexico

Prices tumbled in early trade

after a day's holiday, reacting to losses by Mexican issues on Wall Street, traders said.

The IPC index of 37 leading shares fell 53.08, or 2.05 per cent, to 2,538.36. On Thursday Telefonos de Mexico fell in New York while the market here was closed, so the market is reacting to that today, together with the early losses today of Telcel, one trader said.

Telmex fell in New York Thursday on nervousness about some of the cabinet appointments of President Ernesto Zedillo, who took office on Thursday. Some traders said uncertainty also persisted about the situation in the southern state of Chiapas, where ruling party governor-elect Mr. Eduardo Robledo is due to take office on December 8 in spite of guerrilla threats to oppose his investiture.

Bumpy road likely for Swiss investors

Ian Rodger on a market that is far from boring

It is getting more difficult to accuse the Swiss of being dull.

The tense proxy battle last month between the board of Union Bank of Switzerland and BK Vision, a leading shareholder, attracted wide attention and whetted investors' appetites for further displays of shareholder aggression against complacent boards.

Analysts are also scratching their heads over the extraordinary strength of the Swiss franc. Its big rises this year against the dollar and leading European currencies have done a lot of damage to earnings statements of Swiss multinationals. But that means there could be some hefty positive effects on next year's earnings if exchange rates return to more moderate levels.

Add to that the uncertainty over the impact of the introduction at the beginning of the year of value added tax, both on inflation and on corporate margins, and you have lots of food for both bulls and bears.

This year, the bears have clearly been in control. The all share Swiss Performance Index is off 9 per cent on the year and 15.7 per cent down from its end January peak. The blue chip SMI index has done even worse, plunging 19.3 per cent since the peak, reflecting a widespread downgrading of the Swiss market as a whole in most international portfolios.

It finished up 1.5 at 2,577.5. After three years of sparkling rises, this setback was hardly a surprise, although few expected it to be so brutal. The rise of the Swiss franc and the drastic slump in earnings from the big three universal banks counted for a lot in the deterioration of sentiment.

For the moment, the view is that the Swiss market is not going to be an outperformer in the next few months. "We think that valuations are still quite high," says Mr. Bernhard Teichmann, head of Credit Suisse investment research in Zurich. "Our market recovered very early in the cycle, long before the economy started to improve, and most of the earnings are in the prices."

Mr. Teichmann sees the SMI up 10 per cent in a year's time to around 2,800.

Mr. Martin Newson, of Goldman Sachs International in London, says the Swiss market could put on between 10 per cent and 15 per cent in the next year, "assuming that other European markets are also rising". And on that basis, he is maintaining a slight underweighting for Swiss stocks.

Mr. Frederick Hasselauer, of Bank Sal Oppenheim in Zurich, also wonders if the Swiss market will suffer from the

and chemicals group Alu-

suisse-Lonza, and the cement

giant Holderbank, as promising

shares.

Holderbank has attracted a wide following in recent weeks on the strength of higher earnings and the announcement this week of a less onerous fine from the European Commission than expected for restricting competition.

The Holderbank bearers at SFR1.045 on Thursday were 12.5 per cent higher than they were at the beginning of the year, and Mr. Hasselauer sees further potential as a result of strong earnings growth next year, thanks partly to the weakening Swiss franc.

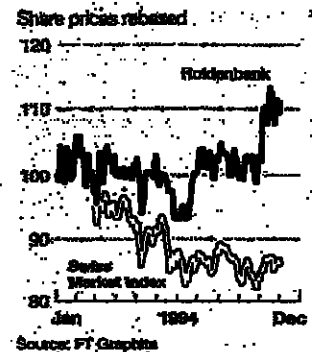
Other analysts share enthusiasm for cyclical stocks for investors willing to take a longer view. "We think this will be a very long cycle, carrying on until 1997, and underlying inflation will be low," says Mr. Teichmann.

The fallout from the battle over the future governance of the UBS is still difficult to assess. The lingering effective 12 per cent premium on the UBS registered shares appears to reflect a suspicion that some compensation for the loss of their extra voting power may still be won, perhaps in return for a withdrawal by BK Vision of its legal appeal of the bank's now approved plan to convert the registered into bearer shares.

UBS insists that it cannot legally offer any compensation. On fundamental grounds, there is no enthusiasm for any of the banks' shares, in spite of their steep falls this year. The SMI banking sub-index is off 24.3 per cent since the January peak. "Yes, the stocks are down, but so are the earnings," says Mr. Newson.

On one point there is unanimity - that in the wake of the UBS battle, most Swiss companies will feel increasing pressure to provide higher returns to shareholders.

"In such an environment, big companies will sell parts of their businesses to focus on their core businesses and increase return on equity," Mr. Teichmann says.



Source: FT Computations

EUROPE

Dollar's strength helps bourses move ahead

Dollar strength in the aftermath of yesterday's US jobs data helped some European bourses and raised expectations that the US Fed would increase interest rates once again, which analysts said was generally good news.

FRANKFURT found little enthusiasm to end the week, the Dax index falling just 0.06 to 2,069.51, for a week's decline of 0.6 per cent.

Turnover was around DM4m. In the Dax index closed at 2,040.24. Volkswagen remained in focus as analysts met the group.

Mr. Ferdinand Piech, chairman, admitted that there was no "sustained recovery" in sight, but added that forecasts could be met even under difficult circumstances. The stock lost DM4.70 to DM44.30, slipping up to DM416.20 in the post, for an 8 per cent decline over the week.

The VW story is in contrast to that of BMW, up 50 pfennigs at DM74.98. Horst Gortz is positive about the group, rating it a buy on the grounds of accelerating sales growth, boosted by new models.

In the post-bourse financial stocks made advances, ahead

FT-SE Actuaries Share Indices

THE EUROPEAN SERIES																			
Dec 2	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close											
FT-SE Eurostock 100	1330.62	1330.60	1330.55	1338.95	1338.05	1338.60	1342.83	1342.82											
FT-SE Eurostock 200	1387.12	1387.72	1388.45	1388.85	1388.57	1388.70	1391.45	1391.57											
	Dec 1	Nov 30	Nov 29	Nov 28	Nov 27	Nov 26	Nov 25	Nov 24											
FT-SE Eurostock 100	1344.45	1341.95	1338.67	1336.02	1328.77														
FT-SE Eurostock 200	1393.94	1397.14	1388.44	1387.54	1387.54	1380.91													

COMMODITIES AND AGRICULTURE

WEEK IN THE MARKETS
Nickel in \$1,200 price surge

The nickel market took over the pace-maker's role at the London Metal Exchange this week. As concern deepened about Russian supply disruption, the metal's three-month delivery price bounced by 19 per cent from Tuesday's low to reach a fresh 3 1/2-year high of \$9,970 a tonne. It closed last night at \$9,952.50 a tonne, up \$1,207 on the week.

The seeds of this surge were sown early last month when an explosion hit the power plant supplying the Norilsk smelter in northern Siberia, the world's biggest nickel producer, which normally accounts for about 15 per cent of global production. Norilsk officials claim the plant will be able to meet contractual obligations despite the resulting output losses, which market estimates put anywhere between 30 and 50 per cent of the plant's capacity (42,000 to 70,000 tonnes).

But western analysts are dubious. "There seems to be too much smoke here for there to be no fire," said GNI, the London trade house. "Watch out for a force majeure."

The explosion has also focussed attention on more fundamental problems at Norilsk. Mr David Allen, vice president for public and government affairs at Inco of Canada, spoke this week of his misgivings about the Russian operation. A technical assistance protocol his company signed with Norilsk in 1993 had "got absolutely nowhere", he said.

The Canadian group had organised a team-in to Toronto for Norilsk about privatisation to which it invited western bankers and consultants. "Yet

today [Norilsk executives] sometimes won't answer telephone calls or faxes from us," said Mr Allen.

Given this apparent lack of interest, he now doubted the Russian company's ability to maintain production at last year's level in the face of daunting financial and technical problems. Norilsk is desperately short of money and is one of the world's worst polluters.

Among the other LME metals, copper and aluminium registered substantial gains on the week, the former touching a fresh four-year high, while lead, zinc and tin finished above their mid-week lows.

At the bullion market silver's continued weakness finally undermined gold's support band. In the mid-1990s a troy ounce, as the white metal plunged below \$5 an ounce to a 10-month low, gold subsided to \$379.20, down \$5.75 on the week.

Silver's fall was seen as a salutary reminder of what can happen when investment funds, having driven prices up with a buying spree, decide to quit the market. The cash price steadied a little yesterday but still ended 25 cents down on the week at \$4.924 an ounce, 78 cents below the high reached in late September.

Soft commodities were also generally weak.

The London Commodity Exchange's January coffee futures touched a five-month low of \$2.75 a tonne yesterday before closing at \$2.781, down \$2.07 on the week.

Cocoa's support gave way early in the week and prices plunged after a trade house was forced to unwind a substantial long position. After slipping to \$930 a tonne on Wednesday the March delivery position steadied to \$937, 250 down from the previous day's high of \$1,180. White sugar had been the LCE's strongest market but the bubble burst and the May price fell \$18.50 from Monday's four-year high of \$414.50 a tonne. A trader explained that the market had "basically overcooked itself" in its response to concern about supply tightness and had to retreat when trade buying dried up.

Richard Mooney

BASE METALS

LONDON METAL EXCHANGE
(Prices from Antwerp Metal Trading)

ALUMINIUM, 99.7% Purity (\$ per tonne)

	Close	3 mths
Close	1919.00	1944.45
Previous	1920.01	1945.40
High/Low	1928	1909/1942
AM Official	1926.29	1951.51
Kerb close	1944.50	1944.50
Open int.	254,987	63,005
Total daily turnover	63,005	

ALUMINIUM ALLOY (\$ per tonne)

	Close	3 mths
Close	1845.55	1890.55
Previous	1850.00	1890.00
High/Low	1850.00	1890.00
AM Official	1845.55	1890.00
Kerb close	1845.55	1890.00
Open int.	3,044	1875.85
Total daily turnover	457	

LEAD (\$ per tonne)

	Close	3 mths
Close	829.54	899.47
Previous	827.38	892.53
High/Low	843.44	892.53
AM Official	829.54	892.53
Kerb close	829.54	892.53
Open int.	44,017	5,655
Total daily turnover	5,655	

NICKEL (\$ per tonne)

	Close	3 mths
Close	8929.50	8950.00
Previous	8920.70	8950.00
High/Low	8940	8970/8970
AM Official	8940.50	8950.00
Kerb close	8940.50	8950.00
Open int.	66,008	16,899
Total daily turnover	16,899	

TIN (\$ per tonne)

	Close	3 mths
Close	6145.55	6230.40
Previous	6140.00	6230.40
High/Low	6140.00	6230.40
AM Official	6140.00	6230.40
Kerb close	6140.00	6230.40
Open int.	10,000	14,301
Total daily turnover	14,301	

COPPER, grade A (\$ per tonne)

	Close	3 mths
Close	2984.50	2943.44
Previous	2984.50	2943.44
High/Low	2984.50	2943.44
AM Official	2984.50	2943.44
Kerb close	2984.50	2943.44
Open int.	244,398	2943.44
Total daily turnover	2943.44	

LME AM Official 5 mths 1.5852

LME Closing 5 mths 1.5852

Spot 1.5852 5 mths 1.5852 6 mths 1.5852

HIGH GRADE COPPER (COMEX)

	Close	3 mths
Close	131.25	132.30
Previous	131.25	132.30
High/Low	131.25	132.30
AM Official	131.25	132.30
Kerb close	131.25	132.30
Open int.	131.25	132.30
Total daily turnover	132.30	

PRECIOUS METALS

LONDON GOLD MARKET

Prices supplied by N M Technic

	Close	3 mths
Close	379.20	379.20
Previous	379.20	379.20
High/Low	379.20	379.20
AM Official	379.20	379.20
Kerb close	379.20	379.20
Open int.	379.20	379.20
Total daily turnover	379.20	

LONDON SILVER MARKET

Prices supplied by N M Technic

	Close	3 mths
Close	4.924	4.924
Previous	4.924	4.924
High/Low	4.924	4.924
AM Official	4.924	4.924
Kerb close	4.924	4.924
Open int.	4.924	4.924
Total daily turnover	4.924	

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

	Coupon	Red date	Price	Day's change	Yield	Week ago	Month ago
Australia	8.000	09/04	91.3900	-0.290	10.42	10.41	10.57
Belgium	7.750	10/04	96.8500	-0.280	8.23	8.25	8.58
Canada	8.000	09/04	92.9815	-0.250	9.08	9.10	9.18
Denmark	7.000	12/04	99.7200	-0.270	8.57	8.62	8.94
France	8.000	05/08	102.2600	-0.130	7.27	7.31	7.84
Germany	7.500	02/05	97.4100	-0.390	7.87	7.85	8.35
Italy	7.500	11/04	97.4700	-0.120	7.29	7.31	7.64
Japan	5.000	09/04	102.3000	-0.200	11.99	11.72	11.80
Norway	8.000	09/09	102.4200	-0.400	3.91	3.90	4.05
Netherlands	8.000	11/04	98.8200	-0.120	4.83	4.82	4.88
Spain	10.000	02/05	91.2800	-0.200	11.55	11.07	11.20
UK Gilt	8.000	09/09	90.29	-0.32	8.27	8.25	8.57
US Treasury	7.875	11/04	104.11	-0.732	8.46	8.41	8.95
US Treasury	7.875	11/04	104.11	-0.732	8.46	8.41	8.95
ECU (French Govt)	6.000	04/04	95.8500	-0.580	8.22	8.37	8.71

ECONOMIC DIARY - FORWARD EVENTS

TOMORROW: Run-off in Italian local elections.

MONDAY: Credit business (October). Housing starts and completions (October). M0 figures (November-provisional). Full monetary statistics (including bank and building society balance sheets, bill turnover statistics, lending secured on dwellings, official operations in the money market, sterling certificates of deposit and sterling commercial paper (October). National Food Survey: household food consumption (third quarter). US new home sales (October). CSCE summit in Budapest (until December 6). EU economic council meets in Brussels. British Airways resumes flights to Beirut.

TUESDAY: Advance energy statistics (October). EU social affairs ministers meet in Brussels. Financial Times conference "World Telecommunications" in London. Merrill Lynch holds global economic conference in London.

WEDNESDAY: Index of production (October). Cyclical indicators for the UK economy (October-second estimate).

THURSDAY: Details of employment, unemployment, earnings, prices and other indicators. New Earnings Survey 1994 Part F: Distribution of hours. Joint distribution of earnings and hours analyses of earnings and hours for part-time women employees. Balance of visible trade (September). Senior trade envoys meet in Geneva to set a date for entry into the World Trade Organisation. Summit of 22-nation Community for Eastern and Southern Africa (COMESA) in Malawi (until December 9). Ministerial meetings of French-speaking countries in Burkina Faso. Bundesbank council meets.

FRIDAY: Construction output (third quarter). Bank of Japan publishes Tankan report. European Council summit in Essen.

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Precious Metals continued

GOLD COMEX (100 Troy oz. \$/troy oz.)

	Close	3 mths
Close	382.8	379.2
Previous	379.5	379.5
High/Low	379.5	379.5
AM Official	379.5	379.5
Kerb close	379.5	379.5
Open int.	379.5	379.5
Total daily turnover	379.5	

PLATINUM NYMEX (50 Troy oz. \$/troy oz.)

	Close	3 mths
Close	404.2	404.2
Previous	404.2	404.2
High/Low	404.2	404.2
AM Official	404.2	404.2
Kerb close	404.2	404.2
Open int.	404.2	404.2
Total daily turnover	404.2	

PALLADIUM NYMEX (100 Troy oz. \$/troy oz.)

	Close	3 mths
Close	183.5	183.5
Previous	183.5	183.5
High/Low	183.5	183.5
AM Official	183.5	183.5
Kerb close	183.5	183.5
Open int.	183.5	183.5
Total daily turnover	183.5	

SILVER COMEX (100 Troy oz. \$/troy oz.)

	Close	3 mths
Close	510.8	510.8
Previous	510.8	510.8
High/Low	510.8	510.8
AM Official	510.8	510.8
Kerb close	510.8	510.8
Open int.	510.8	510.8
Total daily turnover	510.8	

ENERGY

CRUDE OIL NYMEX (42,000 US gal. \$/barrel)

	Close	3 mths
Close	17.58	17.58
Previous	17.58	17.58
High/Low	17.58	17.58
AM Official	17.58	17.58
Kerb close	17.58	17.58
Open int.	17.58	17.58
Total daily turnover	17.58	

ZINC, special high grade (\$ per tonne)

	Close	3 mths
Close	1146.0	1146.0
Previous	1146.0	1146.0
High/Low	1146.0	1146.0
AM Official	1146.0	1146.0
Kerb close	1146.0	1146.0
Open int.	1146.0	1146.0
Total daily turnover	1146.0	

COPPER, grade A (\$ per tonne)

	Close	3 mths
Close	2984.5	2943.4
Previous	2984.5	2943.4
High/Low	2984.5	2943.4
AM Official	2984.5	2943.4
Kerb close	2984.5	2943.4
Open int.	2984.5	2943.4
Total daily turnover	2984.5	

LME AM Official 5 mths 1.5852

LME Closing 5 mths 1.5852

Spot 1.5852 5 mths 1.5852 6 mths 1.5852

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LONDON GOLD MARKET

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Prices supplied by N M Technic

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FINANCIAL TIMES
August 1991

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OTHER OFFSHORE FUNDS

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No FT, no comment.

LONDON SHARE SERVICE[illegible]

INVESTMENT TRUSTS - Cont.

Company	Price	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	992	991	990	989	988	987	986	985	984	983	982	981	980	979	978	977	976	975	974	973	972	971	970	969	968	967	966	965	964	963	962	961	960	959	958	957	956	955	954	953	952	951	950	949	948	947	946	945	944	943	942	941	940	939	938	937	936	935	934	933	932	931	930	929	928	927	926	925	924	923	922	921	920	919	918	917	916	915	914	913	912	911	910	909	908	907	906	905	904	903	902	901	900	899	898	897	896	895	894	893	892	891	890	889	888	887	886	885	884	883	882	881	880	879	878	877	876	875	874	873	872	871	870	869	868	867	866	865	864	863	862	861	860	859	858	857	856	855	854	853	852	851	850	849	848	847	846	845	844	843	842	841	840	839	838	837	836	835	834	833	832	831	830	829	828	827	826	825	824	823	822	821	820	819	818	817	816	815	814	813	812	811	810	809	808	807	806	805	804	803	802	801	800	799	798	797	796	795	794	793	792	791	790	789	788	787	786	785	784	783	782	781	780	779	778	777	776	775	774	773	772	771	770	769	768	767	766	765	764	763	762	761	760	759	758	757	756	755	754	753	752	751	750	749	748	747	746	745	744	743	742	741	740	739	738	737	736	735	734	733	732	731	730	729	728	727	726	725	724	723	722	721	720	719	718	717	716	715	714	713	712	711	710	709	708	707	706	705	704	703	702	701	700	699	698	697	696	695	694	693	692	691	690	689	688	687	686	685	684	683	682	681	680	679	678	677	676	675	674	673	672	671	670	669	668	667	666	665	664	663	662	661	660	659	658	657	656	655	654	653	652	651	650	649	648	647	646	645	644	643	642	641	640	639	638	637	636	635	634	633	632	631	630	629	628	627	626	625	624	623	622	621	620	619	618	617	616	615	614	613	612	611	610	609	608	607	606	605	604
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Weekend FT

When the Soviet Union collapsed, Cuba's 'prosperity' vanished overnight. Nicholas Woodsworth walks the streets of Old Havana and today finds mostly inertia and neglect, decline and breakdown.

There is a quiet anger about Mercedes, a smouldering resentment which on evenings with me she keeps damped down only with rum and cigars.

It is the hospital wards she works in, she tells me - the shortage of medicines and pain-killers, her inability to relieve suffering, the cries and moans of patients which continue to pursue her long after her shift is over.

Now, in the little room I have rented in the house of her friends Luis and Isabel, Mercedes administers her own pain-killer, large gulps of dark, caramel-tasting Patricruzaos rum. Two whimsical, carefree sailors dance about the label of the bottle. It sits conveniently close, perched on a bedside table between a cheaply whirling Russian fan and a battered radio which sprays the hot Havana night with brassy rhythms - salsa, rumba, cha cha cha.

After a few glasses her gloom lifts, her smooth brown face lightens. She flirts and laughs a little, shakes her shoulders in time to the music, takes on the brightness that in a more ordinary time and place would naturally be hers.

We plan a day at the beach, a walk along the sea front promenade of the Malecon, ice-cream at La Coppelita in the smart part of town; and Mercedes seems happy. Her anger, though, I know, is still there, profound and indelible. It is not just anger over her work, for Fidel Castro's unwavering, catastrophic vision for her country, for Cuba's years of hardship and suffering. It is also directed at the outside world, at me.

"You know nothing," she has already said to me in a brief moment of unguarded bitterness. "You tell me things have changed all over the world, that Cuba is a dinosaur, that things can only change here, too. You tell me democracy is around the corner. But you do not know Cuba."

Tonight, though, Mercedes has no fight in her, no room left for debate. Like most Cubans, she is sick to death of ideology and the politics of state. She saves her energy for the true politics of Cuba - the strategies of day-to-day survival, the salvaging of small satisfactions from moral bankruptcy and material collapse.

She drains her glass, stubs out one of the American cigarettes she likes me to buy her. "Toda politica es mentira" is all she will say, shaking her head. All politics is lies. She swishes off the rum and stands, swaying a little with music, drink and fatigue. "Take me dancing."

We walk out into the streets of Havana Vieja. Decayed and crumbling, Old Havana is an eerie, empty quarter at night.



The people may still be able to smile, but the reality of life involves day-to-day survival amid moral bankruptcy and material collapse

Fergus Wilson

Behind Cuban smiles

We stumble over rubble and around potholes, under hanging laundry and through tall, broad arcades built by the Spanish against Cuba's fierce tropical sun. Here and there are the remnants of an imperial finery financed by slaves and sugar: an ornate stone church, a baroque opera house, a pillared convent, a wall of Sevilla Moorish tiles, and matching pairs of bronze lions along the tree-lined Prado.

But mostly there is inertia and neglect, decline and breakdown. We walk gingerly. There is little lighting - electricity is a precious commodity in Cuba today. Neither, in these still streets, is there much traffic - there is little petrol to fuel the hulking pre-revolutionary Buicks and Pontiacs, the tiny post-revolutionary Skodas and Ladas, that lie salt-corroded and rotting on every corner.

Nor is there any of the business, the exchange, the human transaction that is normally the heartbeat of a big city's life.

Only occasionally in the gloom do we pass a small boy raising water to an upper-floor apartment with a bucket and pulley, an old man smoking a fragrant cigar on the cool of a doorstep.

Old Havana is jammed with tens of thousands of tenement dwellers; but with nowhere to go, no money to spend, and nothing to spend it on, they remain indoors, comforted in the blue glow of Cuba's last accessible past-time, the television soap opera.

"Nada... nada... nada..." mutters Mercedes as, one after another, we pass the meagre window displays of government shops that have nothing left to sell. I find them pathetic. Mercedes has little sense of pathos - but a good deal of contempt - for state economic planning that now falls to provide even the bare minimum needed for survival.

The defiant gesturing continues, Castro's revolutionary avowals persist. But, as

the people of Cuba know to great personal cost, there are no provisions on any known communist chart or model for the plunge of the last four years. Even the name given to the post-Soviet age by the Cuban leadership - the "Special Period" - indicates its lack of certainty in the progress of the revolution.

Well might the leaders lack confidence. Before the collapse of the Soviet Union in 1990, Cuba was consuming \$8bn worth of goods annually, most of it garnered through special trade-and-aid agreements with the east bloc. Not only did the Soviet Union, happy with a permanent foothold on the very doorstep of the enemy camp, purchase Cuban sugar at above-world-market prices, it also supplied the Caribbean client-state with subsidised oil, food, machinery, medicines, vehicles, military hardware, technical advice, and cheap loans.

With the fall of the Soviet Union, it all

vanished overnight. The goodwill dried up, the teachers went home, the agreements were cancelled, the ships stopped calling in at Havana harbour.

Without foreign exchange, Cuban imports have slowed to a trickle. Without raw materials, Cuban factories have stopped operating. Without fertilisers and pesticides, the Cuban sugar industry is floundering. Not only demanding payment of a \$30bn Cuban debt, Russia has now rejected a risky deal even the simplest form of trade - the bartering of oil for sugar. US refusal to do business with its revolutionary neighbour remains as firm as ever.

Like an air-filled balloon, Cuba's prosperity - such as it was - has suddenly blown up in the face of its people, leaving little trace behind. Cuba has stopped spending money that did not belong to it -

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NEXT WEEK
Christmas food
and drink



Joe Rogaly

The Blair project and the pot of gold

Can the Labour leader overcome the Tories' bribe and become the next conservative prime minister?

Look round the House of Commons and you see at once who would make the best leader of the Conservative party. There he sits, just opposite the first lord of the Treasury, a sense of destiny suppressing his usual nervous smile. Can you doubt it? Tony Blair, Tory prime minister, would romp home with a majority not seen since Margaret Thatcher left the stage.

Admittedly, the fact that he is leader of the opposition is an obstacle. It can be overcome by standing the Labour party on its head, affixing the word "new" to its title, and "educating" the voters. That is the essence of what Mr Blair calls his project. He could of course abandon the conservative image that he conjures up in the electorate's mind. To do so would be to waste an

invaluable asset. The erstwhile socialists behind him must therefore fall in line, a few stubborn dissenters being the only permissible exception.

Mr Blair is apt to observe that he would not want his present job on any other terms. When you see the disgraceful way in which the Tories are making his choice of school for his 10-year-old son a political issue you wonder why he, or anyone else, goes into politics at all.

We must assume, however, that he knew what he was in for when he bid for the leadership. The way I read him, his plans for the further development of his project are startling. Let the people's party embrace the prevailing free-market ideology. Let it be the proponent of the dynamic market economy, competition, choice, capitalism. A touch of

regulation is needed, no more.

Capitalism? Surely not. Well, no. I was getting a bit carried away there. Mr Blair is not in the habit of advertising himself as a capitalist, although he has used the other previously taboo Tory words to describe "new Labour" and its supposedly continuing values. This week the formulation was "competitive market economy with a strong industrial and wealth generating base". The least we capitalist-readers can expect is something along those lines in the revised statement of party aims and objectives called for by the party leader at the conference in Blackpool in October.

Anything less, and Labour's internal debate about scrapping Clause IV of its constitution will have been a waste of time. The consultative paper endorsed by the national executive committee would not be

"historic", as Mr Blair claimed on Wednesday, but just another piece of trash. The details of this consultative exercise can be tedious, but the essence of the matter is central to British politics in the 1990s. Clause IV is laced with pious hooey about securing for "the workers by hand or brain the full fruits of their industry". It speaks of doing so "upon the basis of the common ownership of the means of production, distribution, and exchange".

This doty quasi-Marxist invocation was appended to Labour's constitution in the same month as the Bolshevik revolution in Russia. It has not been a success, not as a guide to policy and certainly not as a vote-winner. It has never been put into practice, not wholeheartedly, not even by the

nationalising Labour government of 1945-51. If it had been, Britain would long since have been packed into containers and driven in lorries to eastern Europe. Nobody, not workers by hand or brain nor anyone else, has benefited from the clause, the most famous passage of which is printed on every Labour party membership card. The single exception is the Conservative party, which has used it as a weapon of counter-propaganda.

Nearly a quarter of a century has passed since Hugh Gaitskell lost his battle to have Clause IV dropped. He died before he could "fight and fight again" to save the party he loved. The poison clause was left intact until April 1992, when, after losing four elections in a row, it became clear that it would have to be removed. The late

John Smith was unconvinced, even when in March last year Jack Straw produced a pamphlet arguing the case for amendment.

Mr Straw's proposed substitute clause mentions markets, but demands that they be the servants not the masters of the community. The latter "should intervene through appropriate measures of regulation, control and public ownership". Since he managed Mr Blair's campaign in the leadership election after the death of Mr Smith, Mr Straw's ideas presumably carry weight.

Labour would be better served by a constitution that omitted any mention of public ownership, such as the Fabian Society draft produced in summer 1993. Best of all would be the version produced by Stephen Pollard, and published by the Social Market Foundation

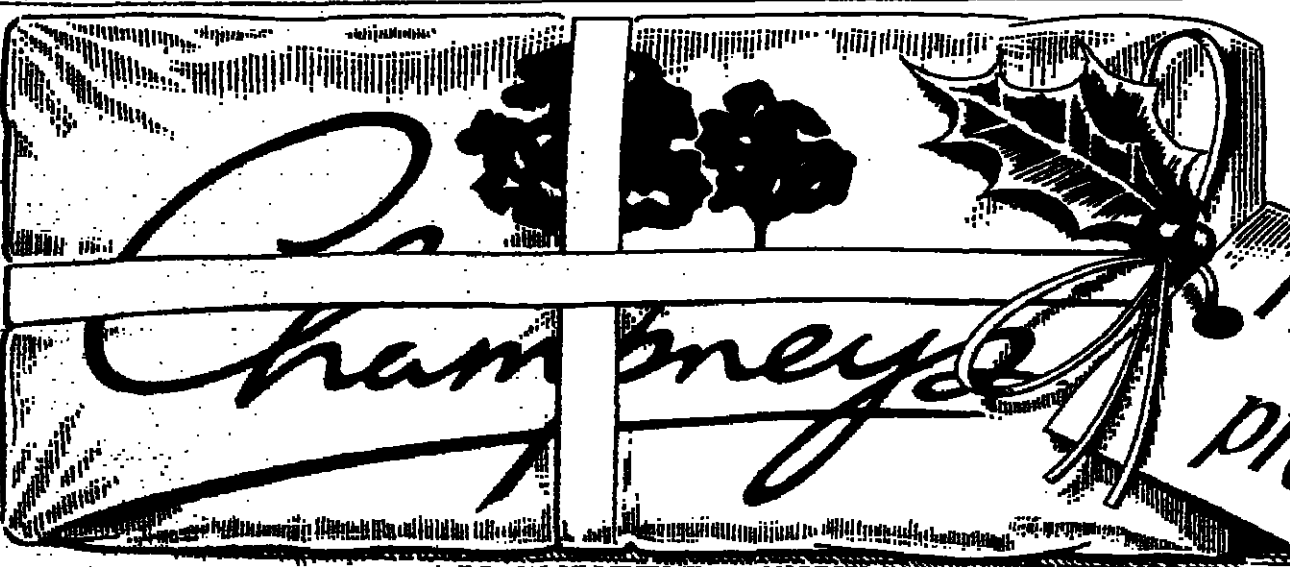
a fortnight ago. It includes the formulation: "... all relevant decisions should be taken according to the workings of the market". State control, says this optimum Clause IV "is only justified where other forms of ownership are incapable of delivering the efficient allocation of resources".

It may be that the party will not swallow anything so stark. Mr Blair is attempting to bedazzle his followers by surrounding the core issue - the wholehearted acceptance of the market - with clouds of rhetoric about what other parties in other countries do. These are speckled with talk about "social justice, freedom, opportunity, equality, democracy and solidarity". His central idea, which is that people owe a duty to one another as well as themselves is, however, appealing. You could say

that he sees the "me" generation of the 1980s being succeeded by the "we" generation in the 1990s.

He had better get a move on. Labour has a huge lead in the opinion polls today, but that must be set against the mountainous bag of our gold that Kenneth Clarke is stashing away in order to bribe us to vote Tory when the election comes. The chancellor has two budgets ahead, enough to dissolve any poll lead.

Mr Blair will understand better than anyone that talk of community values is a hard sell against reductions in taxes on incomes. Mr Clarke stood up twice in the House of Commons this week, performing at his best as the prime minister sat slumped on the seat beside him. He is the only potential Conservative leader who might be a match for Mr Blair.



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FASHION

Costume to wear on the world's stage

John Galliano's theatrical designs can make anyone feel like a dramatic heroine, writes Brenda Polan

The fashion world, like any other competitive milieu, can be an uncomradely place to work. The pattern of its days is a roller-coaster of triumph and disaster, and the price of success is often someone else's misfortune. The rewards for success can be spectacular, but failure can also be very public - and a source of joy to rivals.

So although fashion people may appear to be extravagantly affectionate after the manner of the theatre, they are often malicious, even, dare we say it, bitchy. No name or reputation is safe from calumny.

But there are a handful of designers whose talent is so extraordinary that even the most envious of competitors still their tongues, aware that a world that lacks giants is dull indeed.

Among these heroes are Issey Miyake and Yohji Yamamoto, Jean-Paul Gaultier, Vivienne Westwood and, now, John Galliano.

Galliano was born in Gibraltar, where he was christened Juan Carlos Antonio. He came to Britain with his parents and two sisters in 1968, when he was six years old, and the family lived in Battersea, London, where John's father worked as a plumber. The boy survived Wilson's Grammar School and went on to study fashion design at St Martin's College of Art, where his graduation collection caused the kind of sensation of which legends are made.

He called it *Les Incredibles* and based his designs on the clothing of dandies during the French Revolution. Joan Burstein of Brown's in South Molton Street, bought the whole collection, put it in her window, sold out and came back to reorder.

Galliano, who had been all set to take a job as an illustrator in America, decided to risk a career as a designer, and stayed in London. With a bunch of friends - John is always surrounded by eager, admiring and adoring friends - he made the second order on his mother's kitchen table.

In the ensuing decade, John Galliano has suffered his share of triumph, disaster and calumny but, at present, no one has an unkind word to say. Karl Lagerfeld has described his talent as "a genius". The fashion writers who once found him and his work "weird" are lavish in their accolades. The stores that once wondered whether he would ever deliver are placing huge orders and boasting that they "have him".

Galliano's new backer, John Buit, glows with entirely justified confidence and gives him the space and support he needs. The supermodels adore him and would show his clothes for free. They know that they will never look more



Mohair and silk-lined jacket to be worn as a fitted jacket or upside down as a shawl wrap (as shown) £285; silk shirt £380; ribbed polo neck top £275, all from A la Mode, 38 Hans Crescent London SW1. Diamanté pin brooch in hair, £98, from Butler & Wilson, 20 South Molton Street, London W1 and 189 Fulham Road, London SW3



Sheer kimono wrap £790 with printed satin obi £265 from Browns, South Molton Street London W1. Earrings, £58, from Butler & Wilson, 20 South Molton Street, London W1 and 189 Fulham Road, London SW3. Lace hold-ups, £3.49 from Sock Shop (branches nationwide)

beautiful than they do in Galliano and they know they will rarely have quite so much fun on the catwalk.

For at the heart of Galliano's clothes there is always a story, a romance, or a heroine with a history. The women who model his clothes, who are so often asked by other designers to slouch along slowly, wearing an unflickeringly morose expression or a glazed, disengaged stare, are given a chance to act - or, in the opinion of at least one person in the audience at last October's Paris show, to over-act. "To be someone," is how the supermodel Kate Moss expressed it.

When it comes to clothes, our modern pragmatism dictates that we need to look clean, tidy, smartish, and fashion-aware, if not fashionable. We also like to look affluent, possibly sexy and perhaps authoritative.

These are fairly simple demands to make of our clothes and they are fairly simply answered. But, according to the historians and semiot-

cians of dress, all that is only part of the purpose of clothes. Much more important is the magic element. Clothes speak a symbolic language that everyone can interpret.

A character in a portrait, a play or a film is described by his or her clothes. Beyond that simple description lie layers of associations, placing the character in time and social milieu. Mere clothes can summon up for us the smells, tastes, passions and preoccupations of the period in which the character is supposed to have lived.

Those who design for the stage or for film are skilled at the business of imparting huge amounts of information through shape, colour, texture and detail, which the audience will absorb in a glance.

While the theatre designer, however, is working to a brief, to realise a director's vision, Galliano, the fashion designer, is creating his own *mise-en-scène*, his own heroine, and dressing her. For the 1995 spring collection, this heroine is the haughty bohemian,

opium-smoking poets' muse called Misia. She is his well-researched starting point and the well-spring of his creativity. But he is not merely continuing her, he is creating from her life and wardrobe a collection of clothes that are both intensely romantic, and emotive and also absolutely right for now.

The problem of how clothes

Photographer - Martyn Thompson
Stylist - Jane Roarty
Make-up - Nina Dohi for Streeters
Hair - Alain Pichon for Camilla Arthur

can be simultaneously archaic and modern perplexes those not used to the complexity of what makes fashion.

We use our clothes to tell those we encounter about ourselves and, more importantly, to tell ourselves about ourselves. Dress is often, surprisingly, not about its effect on an observer; it can be a very intimate exercise in self-discovery.

Put simply, fashion can be therapeutic.

The self-discovery element is a clue to why fashion (or very distinctive minority styles of dress) is so important to the young and progressively less important to us as we grow older.

While we are finding out who we are, we need to try on many roles for size. We need to express aspects of our personalities that are hard to express in any other way. The supermodels may be enviable, but they are young women whose lives are full of hard work, discomfort and life-disrupting travel. They have rather ordinary boyfriends, suffer from meretricious hangers-on, go to banally wild parties and are fair game for exploiters of every sort.

So when they are told to play Galliano's muse, Misia, defined by Cocteau as "one of those warm-blooded and deep women who live in the shadows of great men and who, from the margins of artistic creation have a mysterious effect

merely by generating ring-like waves more beautiful than necklaces", they go for it.

There may not be a Misia deep inside every woman, but she is an aspect buried in most of us, and life offers her few outings.

Galliano has a partner in his search for heroines. She is Amanda Grieve, now Lady Harlech, who lives a fairly rural life nowadays in Wales with her husband and three children. She and Galliano met when he designed the clothes for a Malcolm McLaren album photograph that she was styling. Beautiful, intelligent and hugely stylish in a richly eccentric way, Amanda is the original Galliano heroine, her clothes the outward expression of a resourceful imagination and a non-self-indulgent romanticism which allows for some humour.

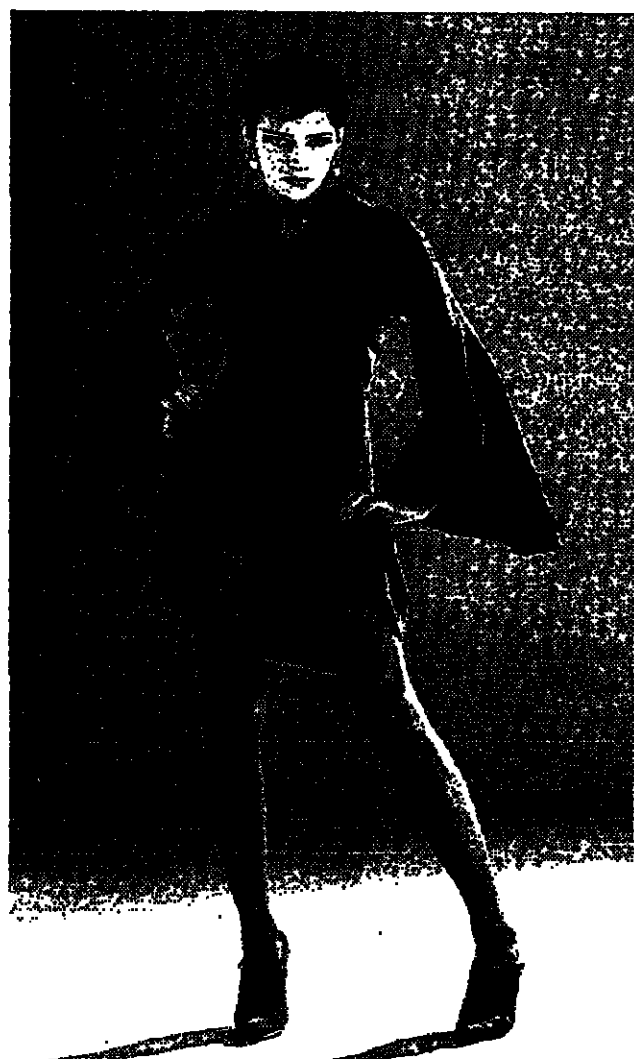
John himself constructs his own appearance from disparate elements. The aim of the stylistically cacophonous overall effect has always seemed to be more about high comedy than

high camp. His outward persona is lighthearted, even giggly. He is a terrible flirt. But he is more often quiet and watchful than rowdy. Serious, even intense, about his work, he is driven, as the truly creative usually are, by the joy that comes from the conception of his vision and the perfect execution of it.

But all this would not be enough to attract the genius label if it were not for the fact that Galliano's vision of his heroines is always beautiful, often breathtakingly so, and he is technically skilled.

Galliano would never design anything that would perplex succeeding generations. In his vision and skills are in perfect balance.

So much so that, as the crowd straggled away from the showing of his collection in October, one harried woman of several thousand fashion shows gulped hard and announced, "It was so perfect I want to cry. I can't bear to wait to wear it. I can't wait to be it."



Black midriff bolero jacket with kimono sleeves and satin collar £1,375, worn over short bias-cut satin slip dress £995. Both from A la Mode, 38 Hans Crescent London SW1. Earrings Butler & Wilson, £48. Suede shoes £145 by Fredance from Plumline, 55 Noel Street London WC2



Long satin and silk shifon bias cut gown with handkerchief hemline £2,295 from Harrods 1st floor and Browns of South Molton Street. Strappy diamanté shoes £125 from Russell & Bromley, Bond Street, London. Diamanté earrings as dress pins £75 from Butler & Wilson

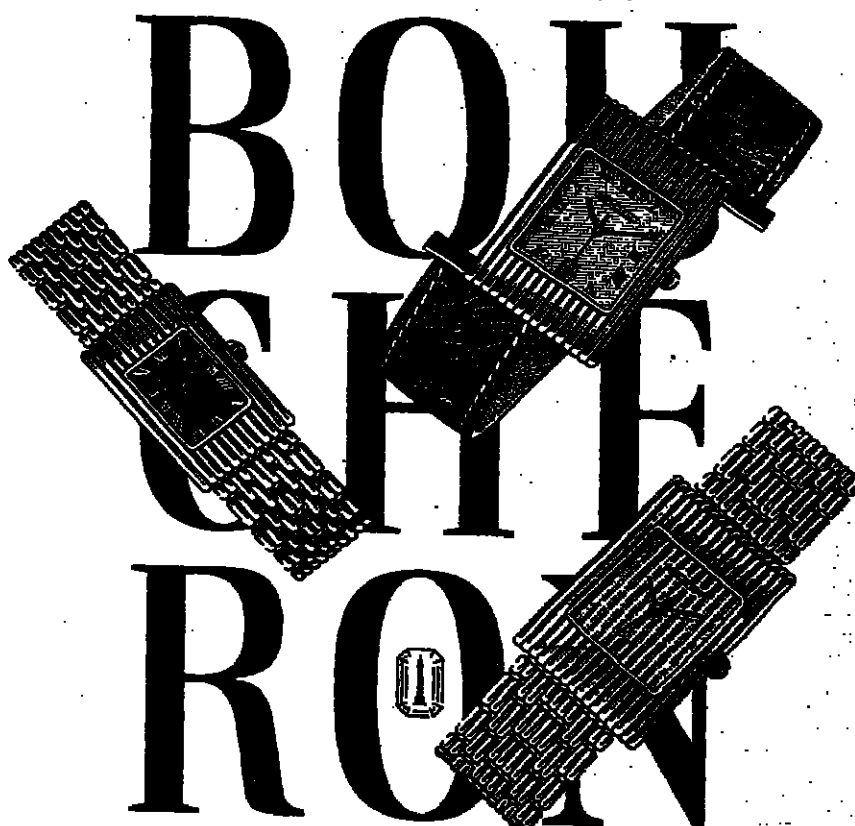
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FASHION

Me and My Wardrobe

Madly modern among tapestries and marble

Jane Mulvagh on one woman's sartorial schizophrenia

If I buy so much as one more handkerchief, I'll have to move house!" says Jill Ritblat, wife of John Ritblat, chairman of property company British Land.

And so last month she gave her wardrobe to The Victoria & Albert Museum. More than 100 outfits spanning three decades - Ungaro, Courrèges, Mary Quant, Saint Laurent, Comme des Garçons - are destined for the museum's storerooms in what is the biggest single donation since it acquired the Cecil Beaton collection.

She originally offered the V&A just a few of what she thought were her most interesting clothes, but to her amazement they wanted everything, even hairpins and fluorescent socks. "I had no idea," she says, "that what I owned amounted to a collection."

So what does a woman wear when she has gone in for such a dramatic overhaul?

"I don't like to play the fashion game," she declares dressed in pared down Shirin Guild, while she unfolds her high-tech Issey Miyake pleats to admire "the perfection of technique and technology".

Her second husband, whom she married in 1986, is a traditionalist who "doesn't like the avant garde in style or fashion". He prefers his wife with her hair back off her face and dressed in proper yet cute, mid-calf length or short Valentino suits, high-heeled shoes and skin-toned fine stockings.

But his wife, a devotee of modern art, has different ideas: "I like the shock of the new. My husband sees me in a completely different way to how I see myself... I don't like my face enough to shove all my hair back and what makes me most uncomfortable is to be over-dressed. I prefer to err on the side of being less dressed-up than I should be."

Her solution is sartorial schizophrenia. Two wardrobes, one to please him and one to please her. Ritblat's skill is in reducing her wardrobe to the bare minimum, or "systems" as she describes it.

"Both my husbands have wanted me to dress in a certain way. In 1968, aged 23, I married Elie Zilkha and wore a Dior wedding dress and a Dior haute couture going-away outfit. The honeymoon was in St Tropez."

"I woke up the next day and put on a pair of white jeans and a fisherman's sweater, which I thought was very suitable and trendy but he took one look and said it wouldn't do. I was taken to Mac Mac, Gunther Sachs' boutique, and put in black crepe palazzo trousers and a yellow voile shirt. Obviously you can't resent anyone making you do anything as delectable as buying better clothes," she says unconvincingly, "but I had to go along with it. It made him happy."

She got the message. "I had to shape up but I decided to do it in my own way." Her way was avant-garde - whether in sharp-edged Courrèges, huge felt cones by Zandra Rhodes or multi-patterned layers by Tuffin & Foale worn under a dramatic St Laurent highwayman's cape. There was often "a most hostile silence when I walked into a dinner party full of ladylike wives in Chanel. I never imagined something so completely wonderful could provoke such a reaction."

But looks are not everything - Ritblat always has an eye for the dry cleaning bills.

"On the first day of a trip to the US, a waiter spilt raspberry coulis down my Miyake top. I put the sleeves in the sink and the sauce just floated away. I



Jill Ritblat relaxed and easy in Shirin Guild



Dressed for her husband's world in cream macramé and silk Valentino

was amazed, I didn't even have to use soap. That's good design."

By day (or night, if she is alone) you will find her in dramatic sculptural shapes, in innovative materials such as her shiny, tar-black Issey Miyake with a ridged back "that looks like a dinosaur", opaque tights and flat Philippe

Model elasticated shoes, with a massive Hermès bag.

She puts her love of systems down to the fact that at heart she is happiest in a uniform, a look that is well suited to her petite frame.

"When I was young, my mother was always putting me in the latest fashions - candy stripe cottons with frills - which I thought were revolting. I much preferred tomboy to doll."

"That's why I was so happy in my school uniform and later, when I trained for the bar, in my black suits and white shirts. One of my favourite pieces was a black Mao

jacket that I bought off the back of a waiter in Los Angeles. It was my ideal garment - practical, well-designed and easy."

Ritblat felt most at ease with her look during the seven years when she was officially without a man and enrolled at London University to read history of art.

She felt no compulsion to wear sexy clothes to try to hook another man. During those years she dressed in Margaret Howell jumpers and fun clothes from Kenzo.

Marriage to John required a change. "In order to please him I wear Valentino and Ungaro in the evening. To me, Ungaro is bimbo dressing, although some of the fabrics are quite beautiful. For 'thinking crumpet' one's better in Comme des Garçons or Miyake. Romeo Gigli's shirts or my new find, easy like a school uniform, Shirin Guild."

"And I used to love Victor Edelstein, who came somewhere between bimbo and thinking crumpet. I respected him enormously."

If she were 18 again what would she wear, I wondered. "Oh, I haven't looked at an 18-year-old for at least a week," she retorts, registering her impression that fashion moves that fast now. "I suppose I'd cut my hair very short and wear those wonderful clumpy shoes and a peltet (short skirt)... and I suppose leather. But I hate to see young people in expensive clothes - they don't need to waste the money."

And her definition of real chic? "When you're not sure whether it goes together or not, that element of surprise."

Ritblat's sense of modernity is played out in her public role as contemporary art benefactor. She is on the board of the New Contemporaries and is currently curating a show in Switzerland with Damien Hirst, the controversial conceptual artist.

At gallery openings she dresses for the part in avant garde conversation-stoppers almost invariably in urban black, or in a well-thought-out statement, such as a 1969 Ungaro pop art dress for the Pop Art opening at the Royal Academy, three years ago.

It is strange talking to madly modern and minimalist Ritblat, sitting in her husband's tapestried, ormolu and marbled drawing-room. The conflicting styles seem to jar.

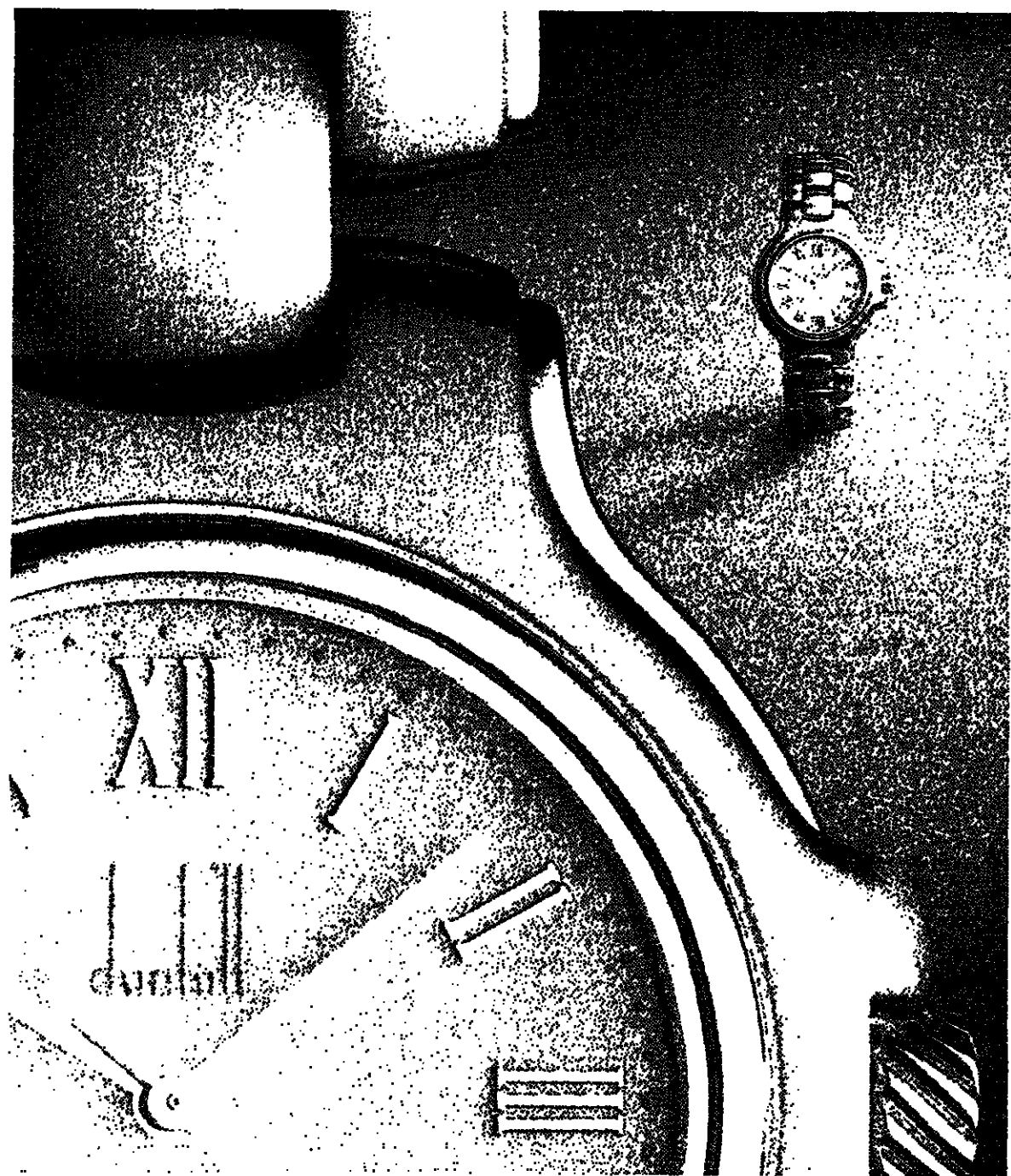
But as I leave she shows me her favourite room, the kitchen. It is a temple of machine-age modernism. Clean, sharp lines speak of time-saving, efficiency. That's better - a room that suits the psyche.



Ritblat dressed to please herself in black velvet trousers and pleated top by Issey Miyake

Pictures: Lydie van der Meer

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HOW TO SPEND IT

Take the silk road to oriental success

Avril Groom finds this season's Eastern styling full of promise

The oriental excitement which spices this year's Christmas dressing has fascinated Westerners for thousands of years.

Alexander the Great's men brought richly-glinting textiles from Persia to Europe, and the Silk Road to China was already long-established when Marco Polo returned to Venice in 1295 with fabrics and fables from the court of Kublai Khan.

Over the next 500 years, the West made full use of luscious embroideries and brocades from India and China, but the most far-flung destination of all, Japan, remained a closed book until the middle of last century. Then, a young draper's manager named Arthur Liberty became enthralled by the first display of Japanese artefacts in Britain - at the International Exhibition of 1873 - and resolved to open an oriental shop.

Japanese fabrics had already caught the imagination of the Pre-Raphaelite artists, and Liberty set out to supply them. So, by the time he opened his shop in 1875, its distinctive character - a heady mix of the Orient and the latest in contemporary design, then personified by the Arts and Crafts movement - had already and quite naturally come into being.

Other exotic crazes followed, but over the past 100 years the yen for ethnic fashion has periodically led Western designers to turn eastwards for inspiration.

Many designers have this season explored oriental themes. By inventive new cut-

ting and experimenting with hi-tech fabrics respectively, Yohji Yamamoto and Issey Miyake constantly rework the kimono and Haori coats which are their heritage. Jean-Paul Gaultier has switched his ethnic attentions to the padded silk and fur trims of Mongolia.

But the special mix of delicate period detail and bold modernity belongs to one man - the British Designer of the Year, John Galiano, profiled on page 4 - whose tiny collection of 18 outfits has altered the image of evening-wear from designer stores to the High Street.

Galiano's girl is at first sight a porcelain-fragile geisha, or a portrait of the bejewelled captive Chinese concubine, whose life-story forms the extraordinary early chapters of Jung Chang's *Wild Swans*. Yet other elements - high-heeled shoes and seamed stockings, a tailored jacket or a body-embracing bias-cut skirt - make her firmly a creature of the 1990s.

This clever mix of ancient oriental and modern European strikes a chord with today's woman, who reserves her right to be, and look, both strong and vulnerable.

To mix successfully Eastern mystery with up-front modernity, soft-pedal the oriental. Rather than look like a stray from the chorus of *Madam Butterfly* you want to suggest a mood through detail. Galiano does it to perfection - a black satin jacket has straight, upturned, kimono-style lapels and trumpet-shaped, contrast-lined sleeves, yet it is still traditionally tailored and

double-breasted. His precision-cut designs (available at Liberty, Brown's and Joseph) are highly priced, but even the beautiful embroidered silk obis (sashes) that go with them would, at £140, be enough to capture the spirit if worn with

a plain black, fluted or bias-cut dress.

Oriental colour schemes, so often based on red or gold, add seasonal brightness with an unusual slant to the eternal sea of evening black. Plain velvet trousers leap to life when

teamed with an frog-fastened silk jacket from Monsoon that has a subtle, fitted, rather than boxy Chinese, cut.

A long skirt, based by Yohji Yamamoto on traditional Japanese fabric wraps and richly printed on fiery red, its texture derived from old kimono silk, needs nothing more than a matt-black T-shirt to balance its drama.

Issey Miyake inimitably modernises ancient shapes: his sunset-orange jacket has a hint of the kimono in its print and slanted edges, while its pleats mould flatteringly to the body in contemporary style. It looks topically hard-edged with lacquer-shiny PVC jeans (Top Shop's at £29.99, are a good version of this one-season buy). Whistles gets in the mood with a *chinoiserie* print on satin but it makes it up in voguishly nostalgic, and very European, bias-cut shapes.

Liberty is still the happy

Left to right: Black silk jacket with old gold embroidery, £175, black velvet trousers, £25, both by Twilight from selected Monsoon branches.

Black printed satin dress, £105, crimson satin and velvet stole by Wonderful Wraps, £145, both from Whistles branches. Black organza flower in hair by Prudence, £75 from Herbert Johnson, New Bond Street, W1.

Traditional Japanese-style sarong skirt in multi-colour and gold print on textured kimono silk, £299, black Jersey top, £105, both by Yohji Yamamoto at Liberty, Regent Street, W1.

Orange printed jacket by Pleats Please, £180 from Issey Miyake, Smith Street, SW3 and Liberty. Below: accessories. Brocade and velvet evening bag by A Is Bonne Renommée, £49.95, from Liberty. Red glass bead and filigree earrings by Erickson Beamon, £25, at Fenwick, New Bond Street, W1.

Sketches by Lawrence Mynott.

hunting ground of orientalis. The store has a tradition of buying oriental jewellery and accessories. This time it is the influence, rather than the letter, of oriental style that is appropriate, such as the little tassled brocade bag illustrated.

Fenwick is also a good source of period-style glass-bead jewellery, carefully made and reasonably priced, from Erickson Beamon and Robert Rose. Long strings of jet-look beads start from £24.95. Evening scarves include a fringed

black-velvet style, lined in red satin and embroidered in gold (Mondri, £95) while crocheted, beaded drawstring bags are £21.95.

Natasha Barrault's fragile, beaded organza bags (from £200, at Browns), Colette Malouf's tiny diamond-spangled hairpins and slides (from £22 at Space NK, WC2), Wonderful Wraps' tassled and padded, velvet and satin stoles, and Herbert Johnson's nostalgic half-hats and headbands all have just the right mood of delicately louche Eastern promise.

Special pieces, such as Yamamoto's sarong or Galiano's obi, have the making of modern heirlooms. But if you have time and energy, searching for antique originals is rewarding. The Gallery of Antique Costumes and Textiles, Church Street, London NW8, Cornucopia, Tachbrook Street, SW1 and antique markets often have a little vintage *chinoiserie*. Even jumble sales can come up trumps.

Years ago at one I unearthed a large fringed scarf in black Chinese silk, traditionally embroidered in white. It has elicited more comment than any of the little black designer dresses it has been worn with.



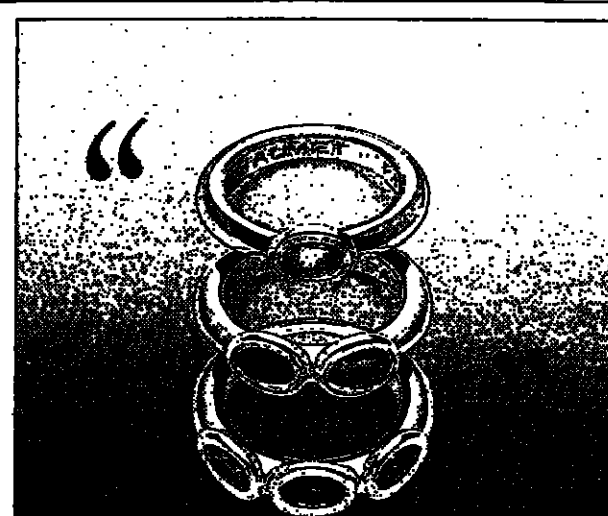
WE DON'T HAVE A STYLE
... WE HAVE AN **ATTITUDE.**

12

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INSTRUMENTS FOR PROFESSIONALS

HOW TO SPEND IT

If you must buy shirts, at least buy silk

Carefully chosen gifts mean men will not have to feign surprise and joy on Christmas morning, writes Nick Foulkes

Let us call it the Thyssen Principle. At the end of a television film on the luxurious life of Heinrich Thyssen-Bornemisza and his then wife Fiona Campbell-Walter, the Baron let slip that he was thinking of giving his wife a gift. What sort of a gift? A bauble from Cartier perhaps? Or a sable coat?

No. He had his eye on a Monet. In this, Heinrich showed he truly understood the art of giving: the best presents are what one would not buy for oneself, prove delightful and appeal to the imagination.

However, even for a man whose art collection was said to rival that of the Queen of England, a Monet is pretty steep.

The rest of us must apply the Thyssen Principle in more modest ways. Yet in buying Christmas presents for men, it is well to keep the Baron's approach in mind.

It can become wearing for a man to have to pretend spontaneous joy while tearing the wrapping paper off yet another blue shirt, especially when you stipulated the maker, collar size and sleeve length.

Nor do most men want anything "useful". Those men longing to own a Bosch hammer drill will already have bought one.

No, it is far better to mix a hint of luxury with a little imagination and a dash of surprise. If you must buy handkerchiefs, at least make them Hermès pocket squares and combine them with a velvet smoking waistcoat, complete with frogging and braid, at £175 from Hackett.

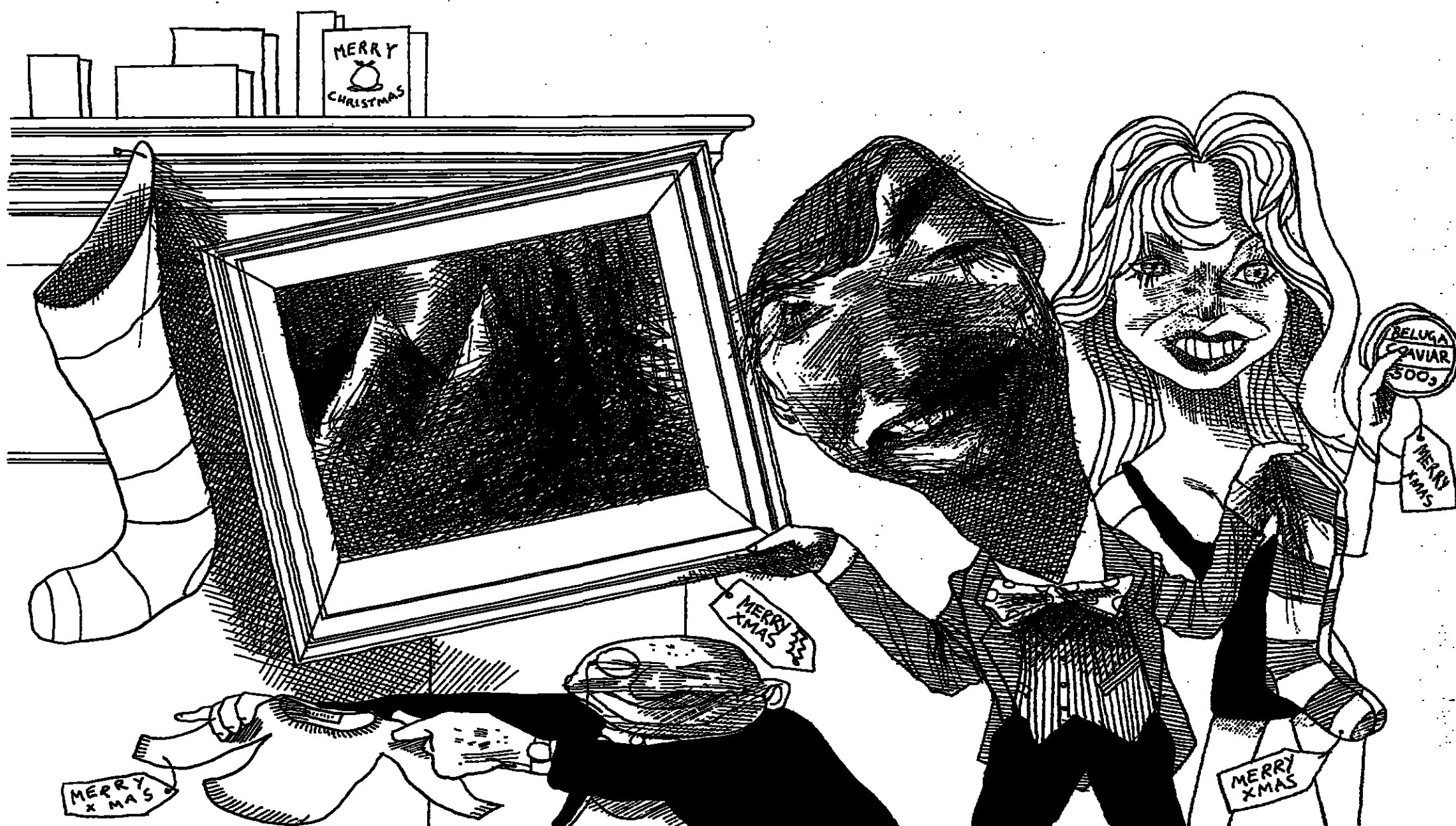
Instead of the year-long practicality of the power tool, why not opt instead for the one-off hedonism of a large tin of caviar? A 500g tin of Beluga at £600 should make a good impression.

And for a shade over 10 per cent of that price, it is possible to pick up a perfectly respectable 125g tin of Sevruga. Iranian caviar is this season's favourite.

It is also a good Christmas to buy cashmere, as prices are set to climb in the new year. For cardigans try Hackett where they cost about £290. Pringle has chunky cashmere sweaters starting at £265, while Herbert Johnson has a cashmere dressing gown for £250.00. And, although it is hardly an economy, the Sulka shawl collar, eight-ply cashmere cardigan at £1,050 makes a memorable gift.

Sulka also has some rather ingenious spectacle cases in silk that can be placed in the top pocket where they resemble a handkerchief. The non-myopic can use them for sunglasses, and non-millionaires can afford the £25 price tag.

Just as vain men hate people to see their reading glasses, real men hate to wear pyjamas. But few could resist, for example, the



Batiste cotton pyjamas from Budd on London's Piccadilly Arcade, in striking coral or "men's pink", with mother of pearl buttons and a button under the revers to fasten against the cold. At £95, these pyjamas are a very covetable gift.

If you must buy a man a shirt, make it a silk one. Silk prices are coming down and there are big reductions on last year's prices: at Budd, the king of dress shirts - silk, pleated and able to take studs - is £145, £20 less than last year.

Socks, like shirts can be a monotonous choice, but Budd have unearthed some rather fancy two-tone ones in fine French cotton Lisle from Bouleau at £13.50.

At the other end of the scale the thickest socks you are ever likely to

wear can be found on the shores of Loch Fyne at Alexander MacIntyre in Inverary. Hand-knitted on the Western Isles they cost £7.75.

Writing instruments tend to feature as Christmas presents but if you cannot afford to give a vintage Parker Duofold, why not think about a pen case. Penfriend has smart pen cases in calf starting at £18, rising through Buffalo to the highly desirable crocodile at £55. It might also be an idea to choose a notebook from Smythson in a matching or contrasting shade, from £5.95.

Another accessory holder to look out for is the leather watch case. Made in Italy and available at the Watch Gallery, this is the ultimate riposte to the female's jewellery

case. However the prices (from £175 to almost £4,000) are only worth paying if the man you are buying for can afford to collect marques such as Breitling, Patek Philippe, Audemars Piguet and Vacheron Constantin.

The action man might appreciate the Land Rover Experience, a day course in how to handle Range Rover, Defender and Discovery vehicles, for £152.75.

Alternatively, send him out on the information superhighway by putting him on the Internet. The Internet starter kit is £27.98 from Micro Anvika, while the service is available from such organisations as Demon (081-949 0063) for a £12.50 joining fee and £10 a month thereafter (both prices exclude VAT).

Those in search of something a little less tangible might enjoy a Feng Shui consultation. This practice is incredibly popular in Hong Kong and benefits are believed to include enhanced career prospects, greater wealth and improved relationships.

For £100 an hour, Jan Cisek (tel: 0956-288374), a Feng Shui consultant, will reorganise an office, drawing-room, bedroom or study according to ancient principles which should produce a more harmonious environment.

But a boy's Christmas just would not be festive without a gadget and the oenophile on the run will certainly want the collapsible pocket corkscrew from Swaine Adeney Briggs (£45, plus £2 p+p), which

resembles a bulky silver bullet when not in use.

There will, however, be those for whom a corkscrew is simply not complex enough. A catalogue published by "Q. Purveyors of International Gadgets" includes everything from a pair of "maritime glasses" for yachting at £27.50, through a solid gold miniature camera - which can, of course, be crested - and a selection of night scopes to the personal submarine.

■ Kaspia (071-493 2612), 15 Bruton Place, London W1X 2AH, sells Iranian caviar. Fauchon: 081-795 0273. Hackett (071-738 8666), 137 Sloane Street, London SW1. Pringle at Harrods (071-730 1234), 87 Brompton Road, Knightsbridge, London SW1. Herbert Johnson (071-408 1174), 30

New Bond Street, London W1. Sulka (071-493 4463), 19 Old Bond Street, also branches worldwide. Budd (071-493 0130), 1A & 3 Piccadilly Arcade, London SW1. Alexander MacIntyre (0499-902115), Inverary, Argyll. Penfriend (071-499 6337), 34 Burlington Arcade, London W1. Smythson (071-629-5558), 44 New Bond Street, London, W1. The Watch Gallery (071-581 3239), 129 Fulham Road, London SW3.

The Land Rover Experience: 021-700 4619. Micro Anvika (071-636 2547), 53-54 Tottenham Court Road, London W1. Feng Shui Association: 0273-693844. Feng Shui Society: 071-935 8935. Swaine Adeney Briggs (071-221 2599), 185-186 Piccadilly, London W1. Q (071-221 2599), 44 Kensington Park Gardens, London SW7.

Behind the Cuban smiles

Continued from Page 1

the value of annual consumption has shrunk from the equivalent of \$80n to \$1bn, with shortage and need everywhere. Not long ago a comprehensive social safety net, universal health care and high educational standards made Cubans the envy of the third world. Today they grub about

in the wreckage of their economy, no better off than the African disaster cases they used to assist, and wonder how long the "Special Period" can possibly continue.

Two rolls of bread a day, one

box of matches a month, one bar of soap a month, two portions of mince-and-soya paste a month, two pairs of underwear a year... armed with her government-issued ration book, such is the level of provision Mercedes now manages to obtain through the state. Often not even these meagre undertakings can be met. Mercedes has not seen soap in the government shops for three months. "Mercedes de nada," she whispers, for good measure.

At the end of the dark street, on the edge of Old Havana, we emerge into a rare constellation of lights, the Hotel Plaza. No one, of course, manages to live on the official ration, or on the official economy at all. It is around the foreigner-frequented hotels that a parallel mechanism - a dollar-based economy that pervades all sections of Cuban society - can be found in its rawest, most distorted form.

For Cubans, life is an unending struggle, a daily series of problems which must be resolved. There is a catch-all verb they apply to any action helping them overcome their straitened circumstances - it is, simply, *resolver*, or find a solution. One can, for example, like my hosts Luis and Isabel, resolve the question of the spare bedroom by illegally renting it to tourists. Consuelo down the road from Luis, on the other hand, has found her own resolution in a supply of black market chickens that do not officially exist; much to Mercedes' and my satisfaction, she runs a *paladar*, an illicit back-room restaurant.

I am glad to have Mercedes by my side as we walk past the hotel entrance. She is a sort of protection. For a good deal of "resolving" in this part of town takes place on the street, and involves separating foreigners from their dollars. Cubans will go to desperate lengths to get hold of dollars, for without them there is no meat, fuel, clothing, pharmaceuticals, electrical goods, household items or much of anything else.

Some of the denizens lurking in the shadows here simply beg. They want soap for their babies, milk powder for their

mothers. I spot one who has already asked me for the shirt off my back. These are not professional street hustlers, but students, housewives, fathers, and there is no artfulness to their approach. It makes their entreaties all the more painful. Others have something to offer - themselves. Prostitution is now widespread in Havana, although there is a wide gap between hard-core professionals and those casual young women willing to stay the night after an evening's entertainment. Part of the problem is that there are many more single women in Havana than men; over the years conscription for the Angolan war, where she works. Her father, a petrol-tanker driver, has an agreement with the depot foreman for the falsifying of way-bills. It is the only way to keep food in the house.

Nor is the administration exempt from such behaviour. Ramon could never ply his trade without the connivance of the police and his local Committee for the Defense of the Revolution, the organisation that regulates Cuban life on a city block-by-block basis. Ramon regularly turns over a percentage of profits to his CDR chief. In its own interests the regime tolerates a certain level of black marketeering and petty corruption - it relieves pressure on the state to provide.

It also relieves Mercedes and me of the task of finding an officially licensed taxi. Just outside the glow of the Plaza's lights a wheezing, fly-by-night

lookout for Ramon. Most societies would judge Ramon and Anna's profession criminal, their behaviour corrupt. But in an official economy as maladjusted to social needs as Cuba's, definitions of corruption hardly mean much; what counts for Cubans is a market-driven alternative that works. From the sidewalk, Ramon tells me, he makes \$5 to \$10 dollars a day; in a state office or factory he would not make five dollars a month. Such a morality is widely accepted. Neither of Mercedes' parents work the street, but both steal from the state. Her mother, a cigar roller, smuggles cigars from the factory where she works. Her father, a petrol-tanker driver, has an agreement with the depot foreman for the falsifying of way-bills. It is the only way to keep food in the house.

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Moscovitch skulls. We climb in and clatter along the Malecon sea front, six lanes of deserted city-centre highway, to the 1830 Club.

Through the doors of the dance club lies another world, a brave and shiny new Cuba in which failure might never

dequirit, wander in the garden, dance to American disco music. There is a Tropicana-style floor show - all sequins and legs. Then a fashion show - casual opulence and legs again. More drinks, more dancing. Mercedes is entranced. Her eyes sparkle, rove over the clothing, the coloured cocktails, the happy couples.

Returning from the dance floor I meet a small-time Swiss businessman, a maverick at the far edge of emerging markets. His face is flushed with achievement - today through his Cuban partner he has purchased yet another downtown Havana apartment at a rock-bottom price.

Cuba will change fast, he assures me. Already the signs are there. In the recently-opened private markets for farmer's produce, in a new European investment fund for Cuba, in rumours of foreign financing for the sugar industry.

"In two or three years all this unpleasantness between Cuba and the US will be patched up," he beams with anticipation. "Investments will come rolling in. Then watch real estate prices rocket!"

In the taxi back to Ramon and Isabel's I am perturbed. I am unable to make the link between this gasping, exhausted city and the self-assured ease of the 1830 Club. It all seems make-believe, I tell Mercedes.

I am still perturbed back in the room where the little table-fan whirs and the radio continues pumping hot Latin music

into the night. Where will it end, I ask Mercedes. Surely something good must lie at the end of such hard times?

"The sparkle has left her eyes," she says quietly, reluctantly shaking her head. "That was not make-believe. That is the future."

"Do you think because our economy is in ruins the state is in ruins? There is something that counts more in Cuba than economics. It is political power. It is as strong as ever, as absolute and privileged as ever."

"The men who run this country see the writing on the wall. They know the old times are gone forever. But do you think they will surrender their places to some new, local breed, or to Cubans screaming for their jobs from Miami?"

She pours herself a last glass of Patricruzados. "Yesterday the men at the 1830 Club were good communists. Tomorrow they will be good capitalists. The lies will change, but the liars will be the same."

And what, I ask, will happen to her patients, her neighbours, her compatriots, the people of Old Havana?

Mercedes downs her glass, shivers, and closes her eyes. She is tired, and bitter, and has the chronic victim's calm certainty of the future.

"Nothing," she replies. "The elite shall remain the elite, with all their power and privilege. The poor of Cuba shall remain the poor."

She is whispering now, nearly asleep. "It seems that is the way of the world. They say we are the last state of our kind on earth. But are we not, after all, much the same as everyone else?"



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Ugly maze encircles elegant avenues

Flats in Paris tend to be elusive and expensive. Andrew Jack explains why vendors are so reluctant to sell

For those with fistfuls of francs to fritter away, there is always some intriguing property or other coming up on the Paris market. For most, France's capital remains one of the more frustrating places to seek accommodation to rent or buy.

Take the magnificent *Hôtel de Clugny*, on rue des Saints Pères in the fashionable seventh arrondissement, not far from the house of the late Serge Gainsbourg and the headquarters of the Ecole Nationale d'Administration, the most prestigious training college for the country's élite.

For potential buyers of the more ambitious kind, the property will probably come up for sale this month, thanks to the indisposition of its current owner, Bernard Tapie, the controversial French businessman and politician.

The sale depends on Crédit Lyonnais, the heavily loss-making state-owned bank to which he owes more than FF1.2bn (£140m) winning the latest in a series of court battles to seize Tapie's assets in its search for payment. The only snag is the price: FF100m-FF150m, according to one estimate.

The incident highlights two of the more curious and frustrating things about the Paris property market: accommodation appears and disappears in the most peculiar ways, and the properties on offer are often phenomenally expensive. "It's very easy to find your

self holding instructions for properties which have prices with too many noughts on the end," says Richard Crosthwaite, a partner with Knight Frank Rutley, the chartered surveyors.

As in the UK, both the residential and commercial markets sharply declined during the economic recession. This was borne out by the heavy losses reported by French banks and insurance companies.

Nevertheless, agents are now beginning to spot signs of recovery in the Parisian market. Crosthwaite says: "Prices rose quickly in the 1980s and have now fallen back dramatically. The market took a bigger hit than in London. Now it's coming out of the doldrums slowly. But it's difficult to call."

"Prices are now reaching more realistic levels," says Donelle Higbee, the representative for Sotheby's International Realty in Paris. "Things have become more stable."

Three or four years ago, she says, the asking price for property ranged from FF80,000 to FF100,000 a square metre - the obsessive use of dimensions as a selling point being one of the characteristics of the local market. Now, she says, FF80,000-FF100,000 is more likely.

The exceptions come in the most popular areas. These have additional cachet and a correspondingly substantial premium. They include Avenue Gabriel, Avenue Montaigne and Quai d'Orsay.



The cabaret venue that says Paris

"All my customers are essentially looking for the same thing: 17th and 18th century buildings with high ceilings and a view - absolutely a view," says Higbee. "It is extremely difficult to locate these and when I find them there are always lots of people who are interested."

Generally, Parisians seem reluctant to sell - hence the custom of putting their property on the market at unrealistically high levels. Unless divorce or death duties demand a more rapid sale, this habit seems to have held the market in check.

Among the reasons for this inertia are the disincentives to sell: fees and duties are often more than 10 per cent. From the buyer's perspective, there are also tortuous legal hurdles, including a cumbersome process to prove title. But Higbee says she is now beginning to

see some change. "Owners are becoming more realistic," she says.

One reason may be economic circumstances. "They can see that nothing is going to happen to prices for two or four years," she says. "Banks are more reluctant to lend money. So if they have financial needs they are having to sell."

A number of aspects make the Parisian market starkly different to London and other cities. Most fundamental is the low level of supply. Paris is a relatively small city, but also one in which - as in many other countries in continental Europe - the culture of home ownership is far less dominant than in the UK. Most people rent instead.

Another issue is the very different infrastructure for selling property, which can make the hunt extremely frustrating. There is a tight network of

agencies, most of which have nothing like the network of some other countries nor the tradition of sharing listings and splitting the fees. "It's

Finding the property is only a small part of the battle in the French capital

every agency for itself," says Higbee. "They are very particular who they share information with."

"There is a gap in the market for the sophisticated level

of international marketing," says Crosthwaite.

"There are no magazines with listings, and just a handful of agents and architects with the knowledge of what's for sale. It's all done on the cocktail and dinner-party circuit and is a question of who you know."

For those with more money to spare, Paris does offer a variety of relocation agencies and specialists willing to do much of the legwork and hunt for available property. The same applies to the rented sector.

For those with more modest means, the search is rather different. There are property agents with shopfronts advertising their wares, although generally with far less extensive networks than the chains found in some other countries. The French often seek property through the columns of *Le*

Figaro, the daily paper, which has an especially comprehensive property section on Tuesdays, and *De Particulier à Particulier*, a weekly listings magazine.

Similar listings, regularly updated, are available on Minitel, the computer information network easily available to any French telephone subscriber.

Very often, a housing agent will occupy in a flat for a series of fixed hours in order to play host to dozens of prospective buyers. Those who are interested need to act fast to get over the bureaucratic hurdles before the others who are viewing at the same time.

Finding the property is only a small part of the battle. The first shock is the presentation of the flats. "Unfurnished" means just that. Very often little is left in place except the electric sockets - if you are lucky.

The second is the scale of charges. On top of the standard monthly rental, a monthly fee is normally charged for the communal areas and sometimes pays for a concierge. In addition, extras such as the provision of electric or centrally-controlled heating can make a substantial difference to the final costs.

Finally, there is the paperwork. Landlords often demand two months' rent in advance, possibly some financial guarantee, and a detailed series of references. They may have other demands, such as asking your employer to provide verification of your salary.

On the other hand, the French legal system does offer good protection for tenants once they move in. There is one consolation. To protect people from the bitter winters, by law no one can be evicted between October and March.

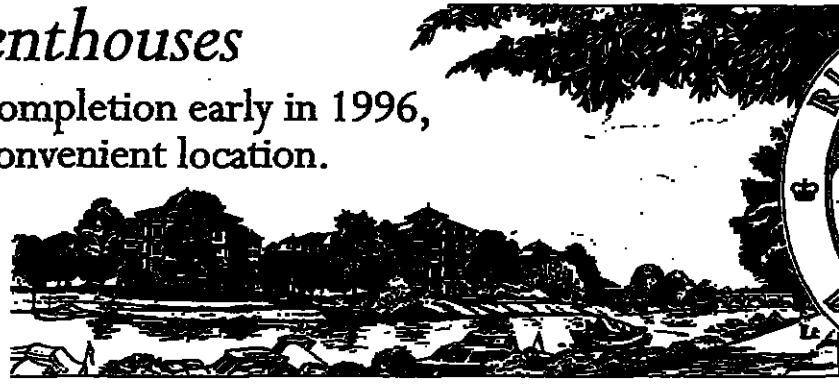
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FOOD AND DRINK

The Lebanese wine might be interesting, sir

Nicholas Lander checks out the trends in restaurant wine lists



Barry Phillips, proprietor of The White Horse, in Chilgrove, West Sussex

If I were to venture an opinion on a future direction for the naming of restaurants it would be this - that they will be called after their enterprising sommelier or personable head wine waiter.

What, I hear you say, but we have just got used to meeting, eating and drinking at Nico's, Marco's, Alastair Little's or Paul Heathcote's.

I understand. But have you checked the bill when you've walked out of one of these famous chef's establishments? Well you should - not to see whether it has been added up correctly, but to see who has taken the most money off you in your pursuit of gastronomic pleasure - the renowned chef or the anonymous sommelier.

The answer, confirmed by a clutch of my own bills, is more than likely to be the latter. This signifies a major shift over the past few years in the relationship between, and relative importance, of the sommelier and the chef.

The initial cause of this change was the recession. When it began to bite, all sensible restaurants introduced fixed-price menus and adjusted downwards the individual prices of their menu items. Yet, in spite of recession, restaurants continued to open, competition increased and menu prices have barely changed over the past three years.

This caused a sharp difference between food and wine prices, accentuated by the fact that, as we have become more knowledgeable about wine, many find it easier to impress with the wine list than the menu.

The expensive ingredients on any menu - truffles, oysters, caviar - are an acquired taste. Many people do not eat them because they do not like them, an attitude that would not change even if someone else were paying. But any lover of Chardonnay, used to drinking a restaurant's £15 offering from California or Australia, would not say no to an offer of a bottle of white Burgundy from Cote de D'Or or Nienlon, at £50 to £60 a bottle.

And a top sommelier and an expensive bottle of red burgundy or rhone bring with it their own theatre. Over the past decade chefs have

purposely, but short-sightedly, removed this element from the dining room by placing all the food in the kitchen. But any order for a red wine that needs decanting will turn the heads of other diners.

Over the past decade restaurants and wine bars have played an influential role in the growing popularity of wine drinking: selling wines by the glass to the neophyte wine drinker; popularising such dessert wines as Muscat de Beaumes de Venise and converting people to the pleasures of wines from California, New Zealand and Australia.

As well as adding glamour, the listing

includes not just the wines but assistance with the writing of the list and staff training. To discover which wines restaurants have been selling and what restaurateurs think we will be drinking in 1995, I trawled five of the UK's finest wine lists:

■ Penhelig Arms, Aberdovey, Gwynedd, Wales. (0684-767215).

This seemed the logical place to start. A wine list created by the sheer enthusiasm of its proprietor, Robert Hughes, in a hotel that has no business accounts and where personal money is carefully spent. Hence, house champagne at £3 a glass - a price not seen in London for some time.

Australia, especially Bailey's 1988 Cabernet Sauvignon, and the Rhone, particularly wines from Seguret and Sablet, provided Hughes' customers with their best value in 1994.

From Spain the white Marrieta and the red Contino were very popular. At a recent tasting of red burgundy there was not much enjoyment among the guests until it reached a cost price of £15 per bottle.

Petit chateaux clarets from 1989 and 1990 have been well received but this is the place for claret lovers in 1995. Hughes will be listing several wines of the lovely 1982 vintage - Malescot, Vieux Chateau Certan and Gissac - from his own cellars.

■ The White Horse, Chilgrove, Sussex. The 1995 Good Food Guide advises you to: "Think of a wine, decide which vintage, then ask for it. There is no need to look in the wine list, it is almost bound to be there..."

Best selling wines are a Sauvignon de Touraine from France and a dry Blanc de Noir from South Africa. Port and dessert wines by the glass are very popular but the kitchen uses more liqueurs than are sold to customers. The trend to New World wines continues with New Zealand whites, and Australian and Chilean reds, the favourites.

■ Read's, Painter's Forest, Near Faversham, Kent. 0795-535344. A catholic range of wines has been in

vogue this year: anything in half bottle; champagne and port by the glass; New Zealand's Cloudy Bay Sauvignon Blanc, which proprietor David Pitchford cannot buy enough of; and Chateau Musar 1981 from the Lebanon. Surprisingly popular have been Hamilton Russell's Pinot Noir and Louisville Farms Chardonnay from South Africa.

In 1995 the Pitchfords - David cooks his wife Roma serves - will be looking for good value wines from Chile, Argentina and southern France, convinced that the French are waking up to competition at the lower end of the market.

■ Normandie, Elbow Lane, Birle, Bury BL9 6LT. 061-764 3869.

A list, that proprietor Max Moussa explains, has no truck with wine "in vogue". Max, and his sister Joanne who form the wine team, get great pleasure from suggesting relatively unknown wines.

These include two Italians, a 1986 Turriga from Sardinia and Anselmi's 1991 single vineyard Soave, and the Alsace Rang Pinot Noir from Martinborough in New Zealand.

Moussa finds predictions difficult to make but hopes that Australia's production difficulties, caused by a shortage of good quality grapes, will not lead to a huge rise in prices.

■ The Fifth Floor, Harvey Nichols, Knightsbridge, London SW1. 071-233 5250.

A monster list made especially inviting on Monday evenings by the company's policy of changing shop prices -le no mark-up. Among white wines, New Zealand, the Loire and Burgundy have been the most popular sources but the surprise of 1994 has been that mere Harvey Nichols customers are drinking red.

Thierry Dumont, head sommelier, believes this is due either to health factors or the kitchen's increased use of Middle Eastern and spicy recipes.

Red Burgundy, Italian red wines and claret have been popular but red wines from Australia and California less so. Dumont believes that 1995 will be the year for South African wines to emerge.

Wine: Burgundy's vintage

Good but not great

The annual auction of the Hospices de Beaune's new wines last month provided the first opportunity of assessing the quality of the latest vintage. The results showed the trend in prices, although in the market they tend to fluctuate less than at the auction where they are influenced by charity and publicity factors.

For the last four years prices at the sale and the reputation of the wines have been falling: with total receipts from an unreasonably high FF29m (£3.44m) to a disastrously low FF10.9m last year. Something had to be done. So a new *cuvée* - costing FF25m - was built in a suburb of Beaune, with stainless steel vats and an underground cellar that resembled the new ones in Bordeaux, such as Pichon Lalande's.

No less important, Andrew Porcheret, the wine maker who used to supervise the vintage, was retrieved after six years at the Domaine de La Romanée-Conti. He organised this vintage much more strictly, discarding 15 per cent of the grapes and reducing the yield to around 25 hectolitres per hectare, compared with a normal 35 to 40.

But even Porcheret could not control the weather and, as elsewhere in France, hopes of a great vintage were blasted by two weeks of rain in mid-

September, but two fine weeks followed.

The Hospices put up for sale only 558 casks (four-fifths red) compared with 759 last year and prices rose by £1.15 per cent for the reds and 40.25 per cent for the whites, making a sale total of FF12.2m. The top red wine price, apart from an *hors concours* bid of FF100,000, for a cask of Clos de la Roche Cuvée Georges Kruter, was FF50,000 for Clos de la Roche Cuvée Cyrot Chaudron. For the whites FF75,000 was paid for the Bataillard-Montrachet Cuvée Dames de Flandres.

Overall, the new Hospices wines have good colour, are well-balanced and fairly light. After a prolonged fermentation, the reds had not undergone the second malolactic fermentation that reduces the acidity, and so were difficult to assess. The whites were still cloudy with unfermented sugar.

Generally, however, the '94 whites are considered better than the reds, whereas it was the other way round in 1993. One experienced merchant said that the '94 whites may turn out almost as well and similar to the outstanding '93s.

Success for the reds will depend on severe pruning in the winter or pruning of the bunches in the summer, and strict selection at the vintage.

As usual there has been a good deal of over-production.

An indication of the care taken at the top level of the whites has been given by the two largest properties in the seven-hectare Montrachet vineyard: the Baron Thénard/Remoissenet and the Marquis de La Drouhin Gulche.

The former made only 24 casks compared with a normal



35, the latter 22 instead of 40.

The good quality of the vintage is demonstrated by a lively market. For the '93s it barely started before Christmas but this year it began in September for the '94s, and is already half over. In the lower level, white appellations, including the Côte de Beaune whites and Pouilly Fuisse, almost all have been sold.

Consumers need not panic as there is no *en primeur* selling. Currently prices in the Côte de

Beaune (predominantly white) are up 15 per cent, and in the Côte de Nuits (overwhelmingly red) are up 5-10 per cent.

Fine burgundy cannot be cheap, for relatively there is little of it, but in constant franc terms the average price per cask has fallen from 1989 peak of FF44,475 for reds and FF54,264 for whites to an estimated FF21,151 and FF28,691 respectively.

Ridiculously, it is impossible now to ascertain demand for burgundy in the UK, for Brussels issues no separate figures for individual EC countries. The Comité Interprofessionnel in Beaune, and other associations elsewhere in France, are trying to change this.

Meanwhile, the obvious vintages for consumers to buy from merchants who specialise in burgundies are '92 for whites and, next year, the excellent '93 reds and '93 whites that will turn out as attractive wines, probably for early drinking, while the more esteemed years are left to mature. It is hoped that the Burgundians have learnt the lessons of the recession for, as a leading Beaune merchant said to me: "Low prices lead the recovery, high prices lead to disaster."

Edmund Penning-Rowell

Cookery

Tempting terrine

liberally on both sides with salt, pepper and nutmeg; and arrange them in layers in a terrine. A Le Croust terrine measuring 12in x 3in is ideal.

After each layer sprinkle with the Armagnac and port. Use decent port - a 10-year-old

When it emerges from the oven, take the terrine out of the water bath and spoon off any fat. Lay a plastic card or couple of spatulas along the top of the terrine and then weight with three 2oz weights. Put the terrine in a cool holder and leave until completely cold and set firm.

At this stage the terrine can be unmoulded (save the spoonful or two of juices that have collected in the dish). Wrap the terrine in food film and foil and refrigerate it. It will keep for up to five days.

Several hours before you plan to serve the terrine, add the reserved juices to the chicken consommé and boil until reduced by half. (Add a splash of gelatine if you are nervous that your consommé may not set to a firm jelly.)

Unwrap the terrine and return it to the container. Pour the reduced warm consommé over it and chill until set. The liquid will jelly as it sets, filling the gaps in the terrine and making it much easier to slice.

Turn out the terrine or serve it from the dish, slicing it with a sharp knife that has been heated in boiling water then wiped dry. Serve with toasted brioches.

Phillippa Davenport



tawny is fine. Words like ruby or vintage character on the label often mean nasty and coarse, and represent a false economy when you consider the cost of the *foie gras* over which you are pouring it.

Cover and refrigerate the terrine for 6-8 hours or overnight. The livers will absorb most of the port and brandy and become firm again.

Place the covered terrine in a

Season each prepared slice

liberally on both sides with salt, pepper and nutmeg; and arrange them in layers in a terrine. A Le Croust terrine measuring 12in x 3in is ideal.

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Chefs will not sit still in their kitchens any more. Every month some luminary of the profession flies in, while another flies out. Often they do more harm to their reputations than good: it takes a while to get used to a strange kitchen, a different brigade and the products of a different market. Occasionally their appearance

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ances have a fraudulent side, such as the visit by an Austrian chef who went home after the press preview leaving a monolingual skivvy with a kitchen full of Pakistani chefs.

Last week it was the turn of Sirio Maccioni, owner of Le Cirque, New York's most chichi restaurant, to visit London.

He did not come alone. He brought Sylvain Portay, his chef, Sothia Khumi, his Cambodian chef de cuisine who has been described as the restaurant's "secret weapon", and the pastry chef Jacques Torres. Anything they lacked in the way of culinary muscle was provided by Paul Gayler and his team at the Lanesborough hotel, on Hyde Park Corner.

For a week, diners there could enjoy some of the three-star restaurant's signature dishes, such as the delicious, if simple, *paupiette* of sea bass wrapped in thin slices of potato and served on a reduction of Barolo wine; or the ostenta-

tious (very New York) ravioli of *foie gras* thickly scattered with bite-size pieces of truffle; or the amazing desserts, one of which takes the form of an edible kitchen stove; or the crème brûlée, which now figures on the menu of Paul Bocuse's restaurant in Lyon.

Possibly even more delightful than the food was Sirio Maccioni, a man who has travelled a long way from his origins in the Tuscan spa town of Montecatini. Montecatini was used to Maccioni in two ways: firstly, it was at the height of its reputation as a spa when he was a child, and the great and good were often to be seen taking the waters there; secondly it was also the birthplace of one Ivo Livi, a man who was rather better known under his *nom de guerre*: Yves Montand.

Maccioni tells an amusing story of how Montand gained his French name. As a child the young Ivo, or Yves, went to live in Marseille.

His grandmother, anxious that the boy should learn something of the language of his new land, used to summon him upstairs with a cry of "Yves, Montesi!" Montand, therefore became his name as he rose to pre-eminence as a French singer and actor.

Montand was already a famous singer when Maccioni decided to leave home and try his luck in the kitchens of Paris. Montand had told him to use his name in his application to the Plaza Athénée Hotel, but Maccioni did not know that his friend was not called Ivo in France and was struck by the indifference of the hotel manager at his interview. He was told he could come back when he spoke French.

The ever-watchful Montand found him a job as a stage hand at the Folies Bergères where he met Edith Piaf and a bevy of dancing girls. Two weeks later he returned in triumph to the Plaza Athénée.

French food was in its post-war doldrums when Maccioni started at the Plaza Athénée. He remembers how the chef used to cook by the book: "This sauce is a little runny. Put some flour in it."

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Life magazine commented curtly: "The new *maitre d'hôtel* would be very good if he could speak English." Montecatini helped him once again: as he surveyed the tables under his charge many of the faces were already familiar to him from the spa. All his customers fought for the possession of the best table. He put cards in his pocket: "yes", "no" to indicate the likes of Frank Sinatra, Orsoni or Natchos whether they were in luck that day.

Natchos believed in getting his own way by the liberal distribution of \$100 bills. Occasionally even baffled members of the public were tipped as he sailed out of the restaurant after a heavy lunch.

Frank Sinatra became a family friend. When Maccioni's first son was born, Sinatra was at the hospital with a silver

Maccioni moved to Germany, then returned to Paris and Maxim. He was waiting for the chance to work in Britain. A restaurant in Fleet Street had offered him the job of *maitre d'hôtel* but the position was not

ready. Instead he went to New York and became *maitre d'hôtel* at the Colony, then the smartest restaurant in Manhattan.

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cup for the boy engraved with the legend "To Mario from Francis".

In 1974 he opened Le Cirque, and has had the rare pleasure of seeing his New York restaurant remain at the top of the fashionable trees for two decades. Everyone wants Maccioni to be their friend. King Juan Carlos of Spain had always told him: "When you are in Spain give me a ring." Once, when he wanted tickets to the World Cup, he took him up on it. He was staying with chef Roger Vergé at the time, another friend from Paris days: "There's someone on the telephone for you. He says he's the King of Spain."

Another old friend is Ronald Reagan. When he was elected president he rang Maccioni: "Here's Ron, are you coming to my inauguration?" Maccioni was temporarily nonplussed: "Yes, I come to your coronation." There wasn't a hotel room to be had, but Maccioni got a room and a driver, even

if he managed to sleep through breakfast at the White House.

In spite of his film-star status in the US, Maccioni has few illusions about America. He throws up his hands at the squeamish way Americans respond to fish or chicken heads, rabbits and other unfamiliar foodstuffs. "Make it fashionable and they'll eat it," he says.

He will not be swayed. On Tuesdays, diners are offered tripe, on Thursdays *boletus* miso, on Fridays Italian fish soup. He remains resolutely European and true to his origins in Montecatini. Asked why he employed no American chefs, he replied: "I didn't know there were any."

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FOOD AND DRINK

Goldilocks and the coffee shop

Kieran Cooke considers an essential part of south-east Asia street culture

They called him Goldilocks, even though his head had not a hair on it and shone like a newly-peeled onion. Goldilocks was the barman at the Yatican, a corner coffee shop in Kuala Lumpur. Indians would come in and park their ample backsides on the small wooden bar stools. "Hey, Goldilocks," they would shout, heads wobbling and arms flailing the air. "Give me a Johnny Walker Black Label, on the rocks. Roger, over and out."

Goldilocks, dressed always in a pair of baggy blue shorts and a white singlet, would spring into action. He clogs would slap, slap, slap across the greasy floor. He would pour the whisky while taking the top off a bottle of beer and straining coffee through what looked like a bull's scrotum.

He would launch into a window-breaking shout for an order of chicken rice from his brother at the far end of the room. He would reach up to pull down a tin on a pulley and string, stuffing notes in,

taking change out.

The Chinese-run corner coffee shop is a central part of south-east Asia street culture. Those without taste and the *nouveau riche* might rendezvous in hotel lobbies - but real people meet, do business, drink and eat at the coffee shop.

The traditional layout is simple enough. At the entrance, on the left-hand side, is a battered old desk with jars of pickled ginger and sweets on it. Behind it sits the *tokoy*, or boss man of the establishment.

He, like everyone there, has a singlet and blue shorts. He might be scraping the soles of his feet or cleaning his ear with what looks like a miniature chimney brush. He watches every move in the place. Occasionally, he launches into a

demonstrative clearing of his passages, making expert use of a nearby spittoon. Every so often, he opens a drawer and counts through wads of banknotes, his abacus clicking away.

You go to a table. These are marble, with bentwood chairs ranged round them. Immediately, someone takes your order. It is never written down but shouted, at a fearsome pitch, across the room. Those new to the experience have been known to fall off their chairs in shock.

A number of stalls are littered round the place. On one side, a lady with weight-lifter legs works at a giant, flaming wok, turning out plate after plate of noodles. One order is finished. The wok is scrubbed with a bamboo brush and

water. Oil is heated, garlic and spices thrown in. The noodles follow, an egg is cracked and, all in one lyrical movement, the shell lands expertly in a far-away slops bucket.

The Americans might think they invented fast food. The Chinese have been doing it for hundreds of years.

At the other side a small man, with slicked-down hair and a cigarette dangling from his lip, lifts a cooked chicken from a hook. The Chinese cannot understand the western predilection for carving meat off the bone.

A cleaver chops down the bird, from backside to neck. Each side is split again. Then, while taking three orders and carrying on a conversation with a friend about last

weekend's horse racing, the cleaver jumps at lightning speed, cutting portions which are swept on to plates, along with a helping of chilli, for chicken rice.

A separate waiter takes orders for drinks. Home-made barley water is a favourite - served hot to balance what is going on internally with the steamy outside temperature. Coffee is served in thick, chipped cups. The aficionado pours the contents into the saucer to let it cool, then slurps away like a contented cat.

Pause to listen and the sound is devastating. The hiss of noodles being sucked into a hundred mouths. Kids screaming, food orders being fired off like machine-gun bullets, trucks and buses hooting past outside.

The toilet is out at the back, through the kitchen area. You notice grandma sitting in a corner, taking the roots off a bucketful of bean sprouts while rocking a baby swinging from the ceiling in a sling. Sons and daughters crouch over basins full of washing up. An old man is mending the chain on his bicycle.

Corner coffee shops might be rough and ready - but they are cheap. A decent lunch costs about \$1.50.

South-east Asia is developing faster than any other region in the world. The hammer of progress is flattening many of the older coffee shops, turning them into multi-storey car parks or shopping complexes.

Coffee shops in Singapore have

been refurbished and air-conditioned. Cleanliness has replaced character. No old men in shorts and singlets there.

To appreciate real coffee-shop culture and food, go to Penang in Malaysia or small towns like Ipoh, about three hours drive north of Kuala Lumpur. The Kedai Kopi Keng Heng in Ipoh is one of the oldest such establishments in the country, and one of the noisiest. People come from miles around to taste its *hor fan* - a rice noodle served with thinly-sliced prawn and chicken.

The Vatican - no one knows how it came by its name - is still on the corner in central Kuala Lumpur but Goldilocks is no more. He is probably serving Black Label at the great coffee shop in the sky and listening to a voice saying "Roger, over and out."

■ *The Vatican: on the corner of Lebuh Pasar Besar and Jalan Hang Kasturi, Kuala Lumpur; Kedai Kopi Keng Heng: on the corner of Jalan Leech and Jalan Station, Ipoh.*



One of Robert Fresson's photographs from "Savouring Italy", edited by Alexandra Arrowsmith, now in paperback from Pavilion (£15.99, 254 pages). In an age when food photography is an art form in itself Fresson's pictures are of the highest order. An evocative and inspirational book which perfectly captures the atmosphere of regional cooking

Food fit for the 90s

Nearly three centuries ago a German art historian called Karl Friedrich von Rumohr launched an attack on the elaborate cooking styles of the French court.

He proposed that we return to the simplicity of the ancient Greeks and take a keen look at the way food is prepared in Italy. Today we are all Rumohrs.

We talk of healthy eating or the Mediterranean diet. We have become so used to talking about the latter that we are now convinced that such a thing actually exists. There are now even Frenchmen north of the Loire who spurn butter, cream and eggs and who cook their meals in a style more reminiscent of Alice Waters than Escoffier.

In the course of a week we learnt more than a dozen local dishes

A much-simplified view of Italy provides the new model. All those fiercely independent regions are run together to create the ideal diet of the 1990s. Much of Italy refuses to conform to the picture at all, but there is one region which fits it exactly: Apulia.

Apulia deserves to be better known, and not just for the food. The only visitors who come in bulk are members of the Club Mediterranée. I suspect they are little driven by dietary considerations, nor do they stray far from their forbidding-looking camps on the coast.

They miss out on the lovely old cities of Ostuni and Lecce with their baroque churches, and the curious beehive dwellings around the towns of

Alberobello and Locorotondo. Food is in the purest modern idiom: bunches of wrinkled tomatoes are suspended from the rafters, drying, not so much in the sun as from the heat of the kitchen; chillies add their fire to the pot; then there is garlic and oregano, basil and rocket, and olive oil with simply everything. On the coast you subsist on fish. Meat is scarce. Local pasta omits eggs

while vegetables assume a role of their own: mostly aubergines, courgettes and bell peppers generally dressed up with plenty of tomatoes.

How to handle these ingredients and to transform them into the sunny dishes of Apulia is the message behind Susanna Gelmetti's Apulian Cookery Weeks. These take place in May, June and September. In July and August it is simply too hot and Susanna and her team move north to her other school in Umbria. In Apulia she is assisted by Tonino Punzi, joint owner of the Borgo Antico restaurant in the magnificent whitewashed-walled city of Ostuni.

The courses take place a few miles away from Ostuni in a lovely old *masseria*, a noble farmhouse surrounded by venerable olive trees often many centuries old.

The participants are lodged in two-room apartments created out of the fabric of the old building while the courses are held in a temple-like building at the end of a formal garden.

In the course of a week we learnt more than a dozen local dishes and one or two that were not. A *diella di verdure al forno* was a sort of layer cake of southern vegetables bound together with gooey cheese and pancetta. A dish of stuffed vegetables produced a different stuffing for each in order to highlight the various flavours.

Mashed potatoes were transformed with chopped basil and olive oil. Broad beans and wild rocket were blended into a rich emulsion with the consistency of hummus. The similarity is hardly surprising with Greece just across the Adriatic.

One of my favourites was stuffed mussels. We made the filling from soft bread and Parmesan and garlic and baked them in the oven. We made pasta and stuffed it with fish: rolled *involtini* from swordfish and veal. The latter was stuffed with raisins and pine nuts: a recipe which derived something from the North African coast, a few miles to the south.

We made a sort of Apulian cottage pie with lamb, potatoes and Parmesan cheese and made plenty of cakes which went down well with the local passito wines, and the sweet Primitivo, made from a close

cousin of the Californian Zinfandel.

Cookery weeks are also holidays and there was plenty to do besides cooking. The coast is 10 minutes away, and mercifully untrammelled by sinister holiday camps. Ostuni was 10 minutes in the opposite direction and little excursions took us to both Lecce and Alberobello.

Nor did we feel cut off in the *masseria*. The house becomes a restaurant at weekends and many important local functions are held there. After midnight in particular, the place seems to spring to life as a host of curious characters emerges and takes up positions around the *tempietto*.

Pietro the balladeer took a particular interest in Australian women (*Devo pizzicare Matilda!*). Lilo, the night watchman, liked to mix himself a midnight snack of *acqua calda* a mixture of dry bread, red onions, olive oil and sea water, and just as nasty as it sounds.

The local *carabinieri* were also regular attendants at these nocturnal revels along with a bevy of lesser players. I have not had such an enjoyable week in years.

■ *Information. Details are available from Susanna Gelmetti on 081-208 0112. The price is £295 for the week inclusive of flights and full board and lodging. Extras are £12 travel insurance and the price of a cheap meal in Ostuni or Lecce.*

Giles MacDonogh

Appetisers Sainsbury muscles in

More evidence, if it were needed, of supermarket power comes this week from J. Sainsbury which is muscling in on the specialist butchery equipment and delicatessen trade with new product lines at keen prices.

Its new cookshops will sell everything from meat thermometers (£7.99) and soufflé dishes (£19.95) to saucapans (from £29.95) and steamers (£19.95).

Kitchen equipment names include Le Creuset saucapans, Emile Henry ovenware and Apilco white porcelain. Sainsbury is selling its own range of textiles including aprons, tea towels and oven gloves.

Brochures giving the product range are available in the cookshops which have opened in 11 stores, mostly in and around London. There are plans for further expansion in the new year.

In its Special Selection food-stuffs range selected stores will be stocking goods including: chilli and garlic olive oil (350

ml, \$6.50), truffle oil (250ml, \$8.75), aged balsamic vinegar (£14.95), Cipriani pasta (egg tagliolini is delicious at £2.50 for 250 grams), carnaroli rice (500g, £1.50), and dried fruits ranging from blueberries (125g, £2.45) to Medjool dates (125g, £2.75).

If Sainsbury has found the right combination of price and quality your friendly, corner shop deli has serious cause for concern.

Jill James

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Anything seemed possible when Mark Hodson decided to walk to the Chinese border from northern Pakistan.

■ Mark Hodson was a guest of Pakistan International Airlines (071-734 5544) and Cox & Kings (071-873 5000). His next 16-day tour of northern Pakistan goes out on April 13 1995. It includes overnight stops at Chilas, Gilgit and the Hunza Valley, and costs £1,745.

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OUTDOORS

Gardening

Spare the knife, spoil the view

Robin Lane Fox has no time for the leave-it brigade

The painter Constable used to say that he had never seen an ugly thing in his life. Perhaps things were easier on the eye in the 18th century: for a start, there were not so many dwarf conifers and no one had learnt how to make flowerpots out of tyres and sell them on the garage forecourt.

But there was always winter: not an unusual winter like this one, in which roses are flowering for the third time and even the trailing lobelia is having a second deep-blue childhood, but normal winter – and I have to say that even Constable would have difficulty finding beauty in the sight of a flowerbed that has been hit by frost and then drenched by heavy rain.

In the warmth of summer, when anything seems plausible, I listened to a well-known gardening expert explaining that beauty does exist in winter, but that most gardeners shut their eyes to it.

From November, we were told, gardens entered their fourth season, alive with the concordant beauty of glowing stems and leaves, sedge greens, chocolate browns and the play of light on fresh cobwebs. Because seeing is believing, we were shown slides to make the point. Under ice-blue skies, a friendly frost had powdered the stems of tall fennel; light filtered artistically through gossamer and the flat heads of the sedums contrasted with yellowing leaves, making all of us feel vanguard who hurry to cut down our gardens at this time of year.

I like to think I see beauty when it is there, but in early winter, I am one of those who likes to cut the borders flat. Have I been throwing three months of beauty on to bonfires for the past 40 years?

Non-cutters have been gaining ground in the past decade. They leave the border standing until March and tell the rest of us what we miss by being too tidy too quickly.

Some of the non-cutters

In winter, the garden looks less like an essay in still life and more like an eyesore

Speak with conviction, others feel relief at not having to cut down sodden delphiniums on wet weekends between now and Christmas. Is there not a Post-Modernist beauty in doing nothing? The non-cutters are the ones in tune with our over-stretched age.

This month, I promised myself that I would give the non-cutters a chance to prove their point and try harder to find beauty in what I see from my window during the winter, but sadly this is a far cry from the slides of hoar-frost on faded salvias under blue skies.

Rime is no reason. In real life the rain drips in a thick fog on borders that are full of blackened herbaceous plants. Come off it, Constable; there is real ugliness in the dead

growth on tree peonies, tall helianthus and the heavy black leaves on clematis heracleifolia.

You may be lucky with the cobwebs, and a few plants do look fetching when they have died and are standing straight in a rare bout of clear winter weather. But for most of the winter, peonies, delphiniums and blackened thistles echinops look less like an essay in still life and more like an eyesore, much of which does not even make proper compost.

The missionary non-cutters, usually flower-arrangers who are looking at gardens for vase-potential, like to see through plants, focusing on a backdrop of sky behind the dead stems of Verbena bonariensis. They gaze upwards, not outwards, like medieval observers who looked skywards into their multi-layered heaven. They are picturing bits of the garden in the hall or in church and they ignore the rest, which is for the most part an ugly blot.

I think the reason I do not like to see the garden untended goes deep into my past. I see beauty in an expanse of bare, keen earth, freshly dug and waiting for the frost that will break it up. It looks orderly, monochrome and all the better for human effort.

This goes deep into the bedrock of my youth. When I first started to garden, I remember reading a story in which bare, clean earth represented salvation.

The story was about the owners of a garden, who lived on the edge of a wood. They had fallen on hard times – even without being members



This Johann Hummel painting of around 1800 is one of the many fine illustrations in Penelope Hobhouse's paperback version of "Plants in Garden History" (£14.99, Pavilion, 336 pages)

of Lloyd's. The husband had lost his job; the wife used to take in washing, but a laundry had opened nearby and she too had lost her source of income. The couple were left only with their garden and their earnest, 10-year-old son.

One evening he solemnly went out and cleared off what

nowadays would be considered a flower-arranger's unappreciated Eden of dead growth. He dug the ground from end to end all night and when his parents looked out in the morning, they began to quarrel over his achievement.

Father thought the son's exercise had been pointless,

because the family could certainly not afford fertiliser, let alone stock for the newly-dug land.

The mother, however, thought the boy deserved credit because he had, after all, turned up such a lovely clean expanse of brown soil.

I identified strongly with a

digger of my own age and instincts and, a few pages later in the story, he had raised enough cabbage and sprouts from seeds to keep the family until the crisis passed and the father, I suppose, could once again bear to look at his Financial Times.

You can tell me that there is

beauty in an uncut garden this weekend, but actually, I will think that you are being lazy. It takes more than Constable to change the general perception and to persuade me that there is not a greater beauty in the rescuing act of digging, cleaning and turning the ground.

Skiing

A relationship on the rocks

Arnie Wilson on why Switzerland needs to modernise

The British love affair with Switzerland is almost all-forgiving. Almost, but not quite.

Switzerland has unsurpassed mountain scenery with some of the best skiing and mountain restaurants in Europe, but in some resorts the infrastructure is falling behind the times.

The French have faster and more modern lifts; Austria is rapidly getting rid of its old-fashioned T-bars; Italy is usually a lot cheaper; and the lively "gemutlichkeit" of Austria seems to go down better with British skiers than the more reserved Swiss equivalent (one reason why British skiers seem so loyal to St. Moritz, Mayrhofen and Nendelau).

The very discreet, old-fashioned and tasteful Swiss quaintness that has for so long attracted British skiers is now in danger of sending the special Anglo-Swiss relationship into neutral or, even worse, reverse.

Switzerland needs to find a balance between rustic charm and modern-day realism – if only they can reach their ski resorts like their trains.

Where to Ski, a lively new guide to resorts around the world pulls few punches on the subject of Swiss skiing. "For a fast, efficient, guest-free lift network, Swiss resorts rarely come up to French standards – and the worst are positively abysmal," it adds. "Swiss resorts have a reputation for efficiently relieving you of your money. The reputation is

well earned." Verbier in particular receives short shrift.

While admitting the resort has "a large, challenging ski area and very lively night life" Where to Ski claims there are "bad queues, over-crowded pistes, very poor piste maintenance, lack of grooming, marking, safety measures, very little artificial snow-making, and Europe's most expensive lift

French resorts provide what skiers want: fast lifts, good snow and easy access to the slopes.

pass". The Consumers Association's Good Skiing Guide mentions the "shamefully antiquated lift system" and "unacceptable queuing".

Verbier, superb natural ski area that it is, clearly has problems. Like a brilliant but wayward child, it seems to need some kind of course correction. While I would dispute Where to Ski's comments about piste maintenance, grooming and safety, there can be no doubt that Verbier's popularity and range of skiing means that it does have a problem moving skiers around the mountain.

This winter, the resort is setting great store by the installation of its Funitel "jumbo" gon-

dola to Attelas which has finally replaced one of Verbier's most antiquated telecabins. Its 15 cabins, each big enough for 30 people, can transport up to 2,000 skiers an hour, but it remains to be seen whether this will have a significant effect on the queues.

Switzerland, it has to be said, is waking up to the need to modernise its out-dated lifts. Films-Lax has spent millions of francs in recent years on new lifts but no resort can do everything at once.

Similarly, the gondola at St. Moritz, the so-called "tumble-dryer", is still bumping and jolting passengers but its days are numbered.

Saas-Fee, too, is gradually overhauling its lift system. This winter, the upper section of the Alpin Express gondola will start operating and the resort will replace the traditional Fee-Chatz (snow cat) service, taking skiers from Langfuhr to Felskinn, with a truly state-of-the-art lift.

This is designed to cope with the problems of transporting skiers along a glacier which has no rocks on which to anchor lift towers. The ice here moves up to 20cm a day, but a lift has been designed with towers that can be moved back into place instead of drifting along with the ice.

All this is expensive. And the longer you delay, the more you have to spend at once.

Switzerland is paying the price for being the first on the scene in the world of winter sports. France, which only



Give us a lift: Verbier has problems moving skiers around the mountain

Tony Andrews

really emerged as an important ski nation in the 1960s, was able to start with more advanced technology and is still out in front.

The Swiss National Tourist Office recently celebrated the centenary of its establishment in London, and it is well over a century since Edward Wyssner first scaled the Matterhorn. These events helped to forge a bond between the two countries.

Today, British skiers who can afford it still make their

annual pilgrimage to the Swiss Alps because of the high quality to be found in traditional Swiss hotels and restaurants. No other resort in the Alps, for example, can match the range and quality of cuisine in Zermatt – which, in many ways, has sacrificed its old-fashioned charm on the altar of new technology – has also been battling with lift queue problems.

British skiers have been immensely loyal to Switzerland. But the big modern

French resorts, often accused of being unattractive, provide skiers with what most of them want: fast lifts, good snow and easy access to the slopes.

Just as factory farming has sadly eclipsed the more wholesome free-range option, it is now possible that high-tech skiing at a good price may start to eclipse the tradition of the "good old days" inherited from Sir Arnold Lunn.

Charm, scenery and luxury hotels may, in the end, not be enough.

FT Ski Expedition

The bear necessities

Arnie Wilson and Lucy Dicker are trying to ski every day of 1994 on a round-the-world trip. They are now in Aspen, Colorado on the last leg of their odyssey.

Could a careless streak have crept into the FT's ski expedition as we reach the home straight? For the first time in 327 consecutive skiing days, I forgot my battered ski boots. Then I lost my lift ticket.

But no matter – we were in Beaver Creek, Colorado's answer to Deer Valley, Utah, where skiers are cosseted like royalty.

New boots were swiftly upon my feet and a replacement lift ticket was ordered by radio from our chair, shared with Mike Beckley, the Mountain Manager, a thoroughly decent chap with a British mother.

Beckley is about 6ft 4ins and approaching 50, but skis more like an antelope than an ox. Being with the Mountain Manager was useful – he plunged under a rope and led us down Rip Saw, a wonderfully steep run with a foot or so of fresh powder. We helped ourselves to fresh tracks three times before he finally let *hot polloi* share the run with us.

Beaver Creek, Vail's sister resort, is soon to be part of "Operation Interconnect", an attempt to create European-style linked resorts. The idea is to link it with Arrowhead and Bachelor Gulch, where new villages are planned.

Unfortunately, this may mean moving one of Colorado's most exclusive and up-market hostels, Trappers' Cabin.

Trappers' is an epicureans'

hideaway in the boondocks, where staff prepare a sumptuous meal and then leave you to spend the night on the mountain without the intrusion of telephone or television.

One of the joys of waking up at Trappers' is to put on snowshoes before breakfast (which is served by the staff, now happily returned) and tramp around in the wilderness. Attempting to do so with a high-speed "interbahn" quad chair roaring up towards you from Bachelor Gulch

One of the joys is to put on snowshoes and tramp around in the wilderness

would simply not be the same. "Nimbys" (not in my back yarders) who purchased property at Arrowhead when it was still known as Vail's private address, may still have the last word, but we are making plans to spend a night at Trappers' just in case it is moved to who knows where.

The only alternative is lunch at the yurt (a tent-style construction) at Arrowhead. But this might have to be shared with the local wildlife. They are still repairing the damage caused by a bear which last summer ripped its way through the side of the clubhouse and tore open the fridge to help itself to the contents.

Arnie Wilson

Motoring

Act now to avoid zero inflation

Investment in a good set of tyres before the bad weather sets in could be a lifesaver, says Stuart Marshall

Hands up if you know what tyres you have on your own or your company car. Just as I thought. Only about one in 10 of you.

Do you have any idea of their correct inflation pressure? Have you checked them in the past three months? And what about the depth of tread pattern: is it nearing the legal minimum of 1.6mm? Do you know if they are wearing

evenly? Have you examined the side-walls for damage? I can guess the answer and your conscience should be pricking just a little. At the mention of tyres, most motorists' eyes glaze over. They find them boring and unreliable, liable to let the driver down at awkward times and unreasonably expensive to replace.

Today's high-performance cars demand so much from their tyres that, for safety's sake, an insignificant-looking hole can mean a tyre has to be scrapped.

The industry says that, ide-

ally, new tyres should be acquired four at a time, but if a pair is bought, they should always go on the rear wheels because, although people worry about sudden front-tyre deflations or skids, rear ones are much more likely to cause a loss of control.

Oddly, when you ask how much new tyres for a typical family car will cost, dealers usually start with the cheapest. There are good deals to be had, providing you do not insist on the most familiar brand names.

Some tyre factory-fitted to

new cars in Europe and Japan have names you may never have heard before, but there is nothing wrong with them, so buy them.

Tyres are not always the ultimate distress purchase. They have become a fashion item, and image-conscious motorists re-equip their cars with new wheels and ultra-low profile tyres only 40 per cent as high in cross-section as they are wide.

These are reckoned to make a sporty car look irresistibly sexy, but this is a matter of opinion. What is not in doubt

is that they can ruin ride comfort, affect handling, and make a car unstable in rain and undrivable on snow.

You can, however, improve a car with a sensible change of tyres – say, a set of all-season tyres such as Goodyear's Vectra. These are patterned boldly with a tread made from a rubber compound that grips even in very low temperatures. They make winter driving easier, but work as well as normal tyres on dry roads.

The drive, braking and steering of a car all depend on the tread of the four tyres. In

extreme conditions, their grip can make the difference between life and death.

For years, the industry has been trying to persuade us to treat our tyres with more respect. A little care, it says, can make our motoring much safer, especially in wet and slippery winter months.

Care translates into a monthly pressure-check with a gauge (kicking the side-wall really will not do) and a quick look round. But far too few of us do it.

When you see a driver changing a wheel on a motor-

way hard shoulder, do not be too sympathetic. The tyre that suddenly went flat at 70mph could have been losing pressure for days and had probably been topped-up once or twice when the driver stopped for fuel.

Tyres do not go down on their own. Something small and sharp in the tread makes a tubeless tyre lose air slowly. If undetected, the tyre may heat and fail suddenly on a motorway.

Prevention is better than cure. So, if you suspect tyre trouble, go to the nearest spe-

cialist outlet. National chains such as Kwik-Fit and ATS and hundreds of smaller independents provide drive-in tyre service and are always happy to run a safety and slow-puncture check.

Recreational 4x4s are usually sold with tyres more suitable for on-road than off-road use because that is where most of them spend their working lives.

But if you do spend a lot of time off-road, going up one size and choosing a pattern with chunky shoulders will give more grip to keep you on the move when the going is really rough.

Equally, a small increase in tyre width gives any car sharper steering response without making the ride uncomfortably hard. But always consult the car or tyre manufacturer before making any radical change.

MOTORS

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سكيا من الامم



Yevgeny Kafelnikov: Wined himself to No 11 on the ATP computer rankings

Tennis

One for the future

John Barrett admires the young Russian, Yevgeny Kafelnikov

It was one of those working breakfasts. I had arranged to meet the Russian Davis Cup captain Vadim Borisov, who was staying at the same hotel during last January's Australian Open.

I was keen to discover Vadim's opinion of his 19-year-old countryman, Yevgeny

Kafelnikov, who I had first seen two weeks earlier in Adelaide when he had beaten Pat Cash, Patrick Rafter and fellow Russian Alexander Volkov, to win his first open tournament.

In Melbourne the previous day, the youngster had come within two points of beating the world No 1, Pete Sampras.

Sampras, taken to five sets, had been in no doubt about the potential of his adversary.

"He's young, has some of the best ground strokes I've ever played against and returned my serve as well as anyone ever has. In my prediction he's going to be top 20 or better in a couple of years."

Sampras could hardly have guessed how quickly his prophecy would be fulfilled. After a season which has included three wins over Michael Stich and successes against Andre Agassi, Jim Courier and Goran Ivanisevic, young Kafelnikov, now a rangy 20-year-old, has won two tournaments and lifted himself to No 11 on the ATP computer rankings.

Borisov will not be surprised. He had told me that day in Melbourne how ambitious Kafelnikov was. But he did have reservations. "It will all depend upon the quality of his work. He must get stronger and learn to volley. He grew up with Andrei (Medvedev) but never worked as hard on his game as Andrei did. He can be moody, too, but there is no question, at times he can be quite brilliant."

The world will be able to enjoy that brilliance this weekend when history will be made in Moscow. For the first time since 1900, when the Harvard student Dwight Davis presented a handsome silver punch bowl, worth \$1,000, for annual competition between the tennis playing nations of the world, a Russian team has reached the final of the Davis Cup.

Their opponents are the four-time champions, Sweden, led by Stefan Edberg who is playing in his 30th tie and his 6th final. He is the only member of his team who has experienced the highly-charged atmosphere of a Davis Cup final which can play havoc with the nerves.

The tie is being played in the 12,000-seat Olympic Stadium where President Boris Yeltsin, himself a keen tennis player, is expected to lead the cheers for his unseeded countrymen. This was not the final the world expected.

The semi-finals produced two of the most extraordinary upsets in the history of the competition. In Gothenburg Sweden beat the top-seeded US after losing the first two rubbers - something that has never happened before in a Davis Cup semi-final.

In Hamburg, on a fast hard court laid specially over their traditional clay to suit Stich, the defending champions lost the first three rubbers to Russia, their first defeat on home soil since the 1968 final loss to Sweden. Although Sweden have won both their previous encounters against Russia, the odds are even this year.

Kafelnikov is still improving while Edberg, who will be 29 next month, is probably past his peak. Furthermore, Thursday's draw gave Edberg an opening match against the No 2 Russian, Alexander Volkov, who has always been a thorn in his side.

Volkov reached his highest-ever ranking of 14 in August

last year and is brilliant but unpredictable, just the sort of man all the top players hate to face.

Stich was on the receiving end of that brilliance in the semi-final and in the first round this year Volkov had sealed the fate of Australia by beating their rising star, Patrick Rafter, in the tie-winning fourth rubber.

The draw for the second rubber pitted Kafelnikov against Larsson, a man who had beaten him 7-6 7-6 in the final of Germany's new pre-Wimbledon grass court tournament in Halle. Larsson had been the hero of Sweden's thrilling win against the Americans at the end of September. Having won the doubles, Sweden had drawn level when Sampras, one set down in his match against Edberg, had been forced to retire with an injured hamstring.

In the deciding rubber Larsson had played the match of his life to win in four sets against the No 2 American, Todd Martin, whose nerve failed him. Strong nerves will be needed by the Swedish pair in today's doubles match, so often the rubber which decides Davis Cup ties.

Jan Apell and Jonas Bjorkman could not have been better prepared. They arrived in Moscow on Monday as the newly crowned ATP Tour World Doubles champions. Their five-set final in Jakarta last Sunday against Australia's "Woodies" - Todd Woodbridge and Mark Woodforde - was one of the most exciting matches I have seen for years.

At 5-4 in the fourth set Woodbridge served for the title and the same player was serving at 5/4 in the fourth set tie-break. At those crucial moments the Swedes were superb, returning serve with great skill to turn the match their way.

It had been the same in Gothenburg in the Davis Cup semi-final against the Americans. Their crucial tie-saving victory against Jared Palmer and Jonathan Stark nearly blew the roof off the Scandinavium as the home fans went wild.

However, as they will discover, a Davis Cup final on foreign soil will pose different problems.

Tomorrow's meeting between Kafelnikov and Edberg is the match I am looking forward to. When they last met in Stockholm, five weeks ago on a carpet court, the Russian won 7-6 6-2. Will Edberg's greater experience of these occasions be enough to counter the growing expertise of this future champion?

Personally I doubt it. Whatever the outcome this weekend, the unparalleled excitement this event has caused in Moscow proves once again the eternal appeal of international contests at the highest level.

Since the Davis Cup became sponsored by NEC in 1991, the number of entries for this largest annual team competition in world sport has more than doubled to its present 109 nations. Next year a record 115 countries will take part.

On the eve of the 1994 Sarajevo Games, ice skaters Jayne Torvill and Christopher Dean were preparing their "Bolero" routine in the Zetra stadium. Involuntarily, the British contingent assembled - skaters, bobsleers, journalists - all determined to view the UK's one world-class entry.

When they arrived, the pair virtually ignored each other. They pumped around that empty, echoing stadium, first forward, then reverse, with the metronomic concentration of athletes working every muscle in their body. This was what world-class athleticism meant.

Detail followed. Who did what, where and when. Temperament flared. Small battles over line and movement were briefly disputed then dropped, the maternal Betty Calloway sometimes intervening, sometimes not. It was voyeur stuff for us onlookers: an old, slightly battered "married" relationship going through important motions.

"We've seen what makes champions," said Elspeth Crossley-Cooke, the British ski team chief, and we agreed.

But today, UN armoured personnel carriers are parked where the ice-skating rink once was. The Zetra stadium is in ruins from Serbian bombardment and next to the ruins is a training ground that has been converted into a cemetery.

Also ruined are the cobbled-together multi-storey flats in which the press corps stayed. And the ski areas of Bjelasica where Bill Johnson won the US's first men's downhill gold, or Jahorina, the women's centre, are gun sites used to maintain the siege of Sarajevo, with the ski lodges housing Bosnian Serb troops.

Early this year, the Bosnian Serbs staged races in a cynical attempt at an anniversary but no one was fooled.

Sarajevo's Olympics did present us with sporting experiences we will not forget, but the running-up of Juan Antonio Samaranch, president of the International Olympic Committee - "the best organised Games in history" - was clearly far-fetched.

Since then, Lillehammer in Norway (this year), Albertville in France (1992), and Calgary in Canada (1988) have found their amenities much expanded by the wheeling and dealing of a successful bid - mostly due to television revenue, particularly American TV proceeds.

Calgary's \$309m deal with ABC for North American rights was a watershed. The \$228m share for the organisation committee - the rest went to the IOC - was essential lubrication for start-up and running costs for the 16-day Games. The city's acknowledged profit was \$32m with new or updated sports and civic facilities worth \$400m.

The permanent additions included a new ski area based on artificial snow at Nakiska, 90 and 70-metre ski jumps, an indoor speed skating rink, bob and luge runs and much updated city amenities. Nakiska, however, was one of the lesser successes. Its icy slopes, cut rather too narrowly through trees, brought accidents.

The ABC Calgary deal, \$79m more than Los Angeles received for the 1984 summer games, and \$100m more than Seoul, was exceptional. The IOC permitted the programme to be bumped up to three weekends and the number of events was boosted from 90 to 128



Voyeur stuff: Torvill and Dean

Winter Sport

Olympic legacies

John Samuel on how venues fare after the Games have gone

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with the help of three demonstration sports - freestyle skiing, curling and short-course speed skating.

Albertville and Lillehammer retained freestyle and short-course skating, much to British pleasure. At Lillehammer, Richard Cobbing in the skiing and Willie O'Reilly and Nicky Gooch in the skating, represented a challenge, though only Gooch got as far as a medal, a bronze.

Each Winter Olympic Games organising committee must make its report at the following event, and for Albertville its president, Jean-Claude Killy, was pleased to report at Lillehammer a loss of only FF220m (33m) in a budget of FF3.9bn, against a huge update of Savoie facilities. New roads and rail links, and new snow and ice amenities, benefited an area of 1,600 sq kms and 13 centres.

The athletes disliked it for its lack of Olympic feel. So did journalists, reduced to watching most of it on television at satellite press centres. But after early squabbles, with one resort fighting another for

events and primacy, Courchevel, Méribel, Val d'Isère, Tignes and the rest confessed it a good thing.

Killy was at pains to point out at Lillehammer that unlike Grenoble in 1968, which had the backing of the Gaullist government, the Savoie was a regionally inspired Games and there would be no white elephants. After 1968, Alpe d'Huez restored one of its sunnier ski slopes by knocking down the bobsleigh course, while the ski jump at St Nizier was left to rot, and a speed skating track at Grenoble closed for lack of support. The Chamrousse ski area where Killy won his three gold medals has remained a backwater.

Albertville, in spite of Killy's word, is still not in the clear. The small village of Brides-les-Bains, built specifically for the Games, was still FF200m in debt last season and local taxes have doubled.

And Val d'Isère's steep and costly downhill run on the north-east face of Bellevarde was roundly criticised by Patrick Ortlieb, the Austrian who won it. Built for the Olympic TV cameras, it is unlikely to be used for a major downhill ever again. Similarly, La Plagne's FF270m bobsleigh run serves fewer than 200 French bobsleers, and casual use can never cover its running costs.

Lillehammer Development has the task of ensuring that the facilities lavished on it and the neighbouring town of Hamar are now properly exploited. "Albertville's goal was better infrastructure. Ours concentrated on future tourism opportunities," said the organising committee.

Most Norwegians deemed the Games a huge success but an outlay of FF750m, mostly funded by the state, has to be justified. The skiing venues of Kvitfjell and Hafjell have newly built chalet sites hopeful of attracting double the number of visitors by 1997. The runs are as good as any in Norway - the Kvitfjell downhill course was rated one of the best and fastest of recent times - and its links with Oslo should be a travelling bonus.

Tour operator Crystal has this season introduced the resorts of Gjølo and Hemsedal, on the railway line between Oslo and Bergen, into its brochure. Will Lillehammer be next?

John Samuel has reported on nine of the 18 Winter Olympic Games.

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Cyprus, crossroads of the East Mediterranean, with Gerald Cadogan

24th April - 4th May 1995

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FT CHRISTMAS BOOKS

The pick of the publishing year

From politics to poetry, history to humour – our writers choose the best books of 1994

ASA BRIGGS

Two of my three books focus on England. Adam Sisman's *AJP Taylor, A Biography* (Sinclair Stevenson, £18.95) is all that the biography of a historian ought to be. As a controversialist Taylor offended nearly as many people as he delighted, and that in itself gave him pleasure. Sisman sets out to explain not only what Taylor did but what made him do it. Evelyn Waugh, the subject of another excellent biography, presented Taylor with a copy of his *Sword of Honour* trilogy. What could be more English than that?

Arthur Jacobs in his *Henry Wood, Maker of the Proms* (Methuen, £20) reveals far more about Wood than Wood ever did; and while nothing could be more English either than the last night of the Proms (even with an intrepid Welshman singing "Land of Hope and Glory") Wood was a pioneer in introducing thoroughly non-English composers like Mahler and Schoenberg. Iain Banks, choosing a topical and universal word for his title *Complicity* (Abacus, \$5.99 pbk), brilliantly and terrifyingly uncovers all the raw, rough violent strands in contemporary British (not just English) society. As a novelist he writes superbly, taking as many risks as did Taylor as a historian. No one would present him with a sword of honour, but he deserves an accolade.

CLEMENT CRISP

In *Mosaic* – published in New York by Farrar Strauss at \$25 but surely meriting distribution here – Lincoln Kirstein has embarked upon his memoirs. Here is the first quarter-century of his life, from 1907 until 1933, when he brought George Balanchine to America and embarked upon the greatest enterprise of a life full of great enterprises.

In Kirstein, intellect and action have marvellously combined, and this first volume is a story of a precociously brilliant youth who matures into an extraordinary man of thought and deed. The style is powerful: descriptions – of Gurdjieff, of Harvard and Boston society; of teachers and friends – are grandly evocative.

It is a tremendous book about a tremendous life. It is also a reminder of the values in telling the story of a life, in a year when my other two nominations are in the "Biography from Hell" category: Peter Watson's *Nureyev* (Hodder, £20) and Christopher Ogden's study of Pamela Harriman, *The Life of the Party* (Little, Brown, £10.99). Books to fling across the room.

RICHARD EYRE

I recommend *May the Lord in his Mercy be Kind to Belfast* by Tony Parker (HarperCollins £7.99), and *Midnight in the Garden of Good and Evil* by John Berendt (Chatto, £10.99).

Tony Parker's book is a collection of interviews with people on every side of the political, religious, and economic

divide. He has a sorcerer's skill at charming remarkable self-confessions, without ever making his presence felt. The book is apparently artless, but is beautifully edited and shaped, and is the most comprehensive and profound document that I have ever read about Northern Ireland.

John Berendt's book is set in Savannah. It is a documentary account of a murder that took place in a small, insulated Southern community. It is a beguiling mixture of wit, mystery, satire and compelling narrative, seasoned with some voodoo and jazz.

CARLO GEBLER

Value for money this year has to be Italo Calvino's *Italian Folk Tales* (Penguin, £12.99). Purchased for my seven year old son last Christmas, this collection of ancient tales brilliantly re-told by Calvino in his spare but lucid style has provided pleasure and nourishment for parent and child alike night after night after night, and only a year on is still not finished.

For inspiration my choice this year has to be Will Self's *Grey Area and Other Stories* (Bloomsbury, £9.99), a beautiful collection of Nathaniel West's tales which manage to combine the quirky stylistic devices which we know and love from *The Quantity Theory of Insanity* (characters from one story reappearing in another, for instance) with a chilling moral diagnosis of all that is wrong with our society. Finally, for pleasure, it has to be Robert Louis Stevenson's *Kidnapped* (Everyman Library, £9.99). I live in Enniskillen but I work in Belfast and I do my reading shuttling on the bus between the two. I hate that journey, but with *Kidnapped* in my hands I forgot entirely where I was because emotionally and imaginatively I was in Scotland. Some of the scenes had me in tears, while others made me laugh out loud. Thank God for Stevenson – fully rounded characters, and a story which touches the reader's heart.

A.C. GRAYLING

Biography and autobiography usually bring their subjects before us in striking dress, to prompt our curiosity the more. But if you would meet them naked, inspect their personal mail, Prandello's *Love Letters to Marta Abba* (Princeton, £24.95) reveal to us the Italian playwright in the last decade of his life, passionately in love with a young actress, baring to her the feebleness, frailty, enigma and egotism that underlie creative life. They also give us oblique and sometimes shocking glimpses of a world sliding into madness.

Nicolas Rupke's biography of *Richard Owen* – the man who coined the term "dinosaur", meaning "terrible lizard", and who was second only to Darwin among nineteenth century naturalists – is riveting (Yale University Press, £30). In relating bitter Victorian debates Rupke shows how science affected great social and religious questions still urgently relevant today.

One of the year's most original and outstanding books is Theodore Zeldin's *An Intimate History of Humanity* (Sinclair-Stevenson, £20). In each of a variety of personal stories Zeldin finds the ends of threads that lead him into fascinating labyrinths of history and human experience, which he perceptively, instructively and absorbingly explores. This is a read to relish.

JEREMY ISAACS

East, West (Cape, £9.99), home in neither, but poised somewhere in between – Salman Rushdie's volume of short stories on this theme is deft, inventive, entertaining. Reading it, I stumbled late also on his *Haroun and the Sea of Stories* (Granta £12.99 hbk, Penguin £4.50 pbk), a fable for children of all ages that will delight generations to come.

Iain Banks's *Complicity* (Abacus, £6.99) is a cocktail of sex, skulduggery and hi-tech mystery, set most convincingly in a Caledonian newsroom. The Glasgow Herald of my staid youth would never have employed *Complicity*'s fall-guy protagonist, but I shall now read everything Banks has written.

From high up the current US best-seller list, a nightmarish trifle: *Politically Correct Bedtime Stories* (Souvenir Press, £6.99) modern tales for our life and times. The author James Finn Garner is presumably pulling our leg, it isn't really necessary to go to such lengths to avoid offence across the pond? Is it? Perhaps it is, and may be here also one day. Laugh while you can.

HELENA KENNEDY

Age of Extremes (Michael Joseph, £20) by Eric Hobsbawm is an extraordinary book. Based largely on Hobsbawm's personal experience and observation, it provides the most stunning review of the 20th century. It is written in vivid, witty and incisive prose, displaying an incredible breadth of knowledge and understanding. A great read.

Another favourite was Sally Belfrage's *UnAmerican Activities* (Andre Deutsch, £14.99). This is a remarkable account of the author's exotic background as a child of British journalists who made their home in the US. Their politics singled them out for special attention during the McCarthy period. The phone was tapped from the minute Sally Belfrage had been at the door since she was tall enough to turn the knob. It is biography at its best, but also a brilliant account of a shameful part of America's past.

I also loved Marina Warner's book of fairy tales, *From the Beast to the Blonde* (Chatto & Windus, £20). I always suspected those seven dwarfs were up to no damn good, but it was Warner's scholarship which impresses.

Salman Rushdie's short stories *East, West* (Cape, £9.99) are a delight and reveal a benign quality amidst the sharp wit and wisdom.

On a less exalted level, Les Gussow's *Conversations with Pinter* (Nick Hern Books, £12.95) simply gives us Pinter talking relaxedly about himself and his work. There are no astonishing illuminations here; but I have found the book a refreshing companion during a year in which Pinter's plays have become, for me, more than ever before an absorbing pleasure.

IAN MCEWAN

I have read nothing so entertaining and intellectually stimulating this year as Steven Pinker's *The Language Instinct* (Allen Lane, £20). He sets out to demonstrate that language is not a cultural invention but a neurological mechanism, and



Madonna and Child Wreathed with Flowers by Jacob Jordaens (c.1618) – one of the many treasures, from Paleolithic figurines to 20th century paintings, of the State Hermitage, St Petersburg, included in an ambitious boxed two-volume work "The State Hermitage: Masterpieces from the Museum's Collections", edited by Vitaly Suslov (Booth-Clibborn Editions £150, 692 and 879 pages).

ALASTAIR MACAULAY

Mark Morris, by Joan Acocella (Farrar Strauss Giroux, \$27.50), is not merely a lively and highly intelligent account of this acclaimed choreographer, and not merely the best book-length critical study yet written of any dance artist. It achieves the rare feat of reading the artist's mind while locating his work within the modern cultural context: all achieved with absorbing vigour and fluency and without ever becoming difficult or arcane. I am impatient to re-read it.

The Complete Lyrics of Ira Gershwin (Pavilion, £25) is an intoxicating plunge into the wit of the Jazz Age. Some of the lesser-known lyrics are so funny that I, reading, had to rush straight to the phone to read them aloud to friends ("It's never too late to Mendelssohn... We hope they'll Lohengrin and bear it").

But the best delight is to pore at leisure over familiar lyrics: "I'm biddin' my time, Cause that's the kind of guy I'm; Little wow, tell me now, How long has this been going on? Women and head waiters fawned on me. Like *Hunter*, Ira Gershwin's lyrics are made up of quotations; and the quotations are now part of this century's lifeblood.

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I have read nothing so entertaining and intellectually stimulating this year as Steven Pinker's *The Language Instinct* (Allen Lane, £20). He sets out to demonstrate that language is not a cultural invention but a neurological mechanism, and

along the way offers up many witty and fascinating reflections on anthropology, Darwinism, cultural snobbery, as well as an elegant defence of "hopefully" as a sentence adverb. In Craig Raine's long poem *History: The Home Movie* (Penguin, £9.99) language is wrought into a kind of mental jewellery; imagery of clarity and fabulous invention shines on every page. The minutiae of the private life and the great upheavals of this century are given equal weight to create a history of intense emotional reality.

When modern warfare engulfs a literary mind the result is usually interesting enough in itself, but Tobias Wolff's memoir of his time in Vietnam, *In Pharaoh's Army* (Bloomsbury, £14.99), has an irresistible flow. He is a lucid, self-honest spirit with a gift for narrative. I read him at a sitting, and was sad to run out of pages.

CRISTINA ODONE

My idea of heaven may not be the gloriously colorful and earthy Africa of Abdurask Gurnah (*Paradise*, Hamish Hamilton, £14.99), but Mr Gurnah certainly does write like an angel. Where others would have been content to have their novels glisten with the charm of the "native", Gurnah's novel throbs with the passion of a visionary. His style is reminiscent of V.S. Naipaul – perhaps not as comical as the early Naipaul, but not as bitter as the current writings, either.

In the non-fiction stakes: Tony Benn's *Diaries 1940-1962* (Hutchinson, £25) reveal another visionary, one whose devotion to the people and commitment to public duty reduces one to exhaustion and to feeling one-inch tall. Harold Wilson once said of Benn that "he immatures with age". What was meant as a put-down turns out to be the key to Benn's continuing hold on the nation's emotional imagination: he brings youthful energy and enthusiasm to the arduous and often unrewarding task of standing popular convictions

on their heads. A truly humbling man.

Hubris rather than humility stalks the corridors of Westminster providing Angharad Vaughan with much of his inspiration for the columns collected in *Way of the World* (Century, £15.99). What a hoot!

MALCOLM RUTHERFORD

Henry Kissinger's *Diplomacy* (Simon & Schuster, £25) is not only far and away my book of the year; it is also one of the best books on the subject ever written. When I reviewed it in May, I suggested that anybody serious should have read it by Christmas. There is still time left. Note especially Kissinger's critical comments on British foreign policy between the two world wars.

I also liked Bob Woodward's *The Agenda: Inside the Clinton White House* (Simon & Schuster, £14.99). Not everyone will enjoy the style: very insiderish without giving sources. Yet it goes a long way to explaining how President Clinton reached his present predicament.

Lord Howe's autobiography *Confessions of Loyalty* (Macmillan, £25) is written in the quiet tone that he uses in speeches. Possibly that is why it has been under-rated by some reviewers. In fact, it is well organised and full of material, especially on Europe and foreign policy. It should survive long after some other memoirs of the Thatcher period, and before, have been forgotten.

BRIAN SEWELL

Those few who have particular interest in the composer Peter Warlock must read the centenary biography by Barry Smith (OUP, £26.00). A substantial extension of earlier lives and memoirs, it occasionally seems so burdened by research and worthiness that Warlock the man is difficult to find, some aspects of his private life underplayed and sometimes altogether neglected, some misstresses omitted, his homosexual escapades unchronicled.

who teaches a woman to write should recognise that he is providing poison to an asp."

MICHAEL THOMPSON-NOEL

The novel is not dead, nor even the rubbish-heaps say. A highlight of my fictional year was Melanie Rae Thon's *form Moon* (Penguin, £5.99), about a farmer's girl in White Falls, Idaho, who smells of the byre and is generous with her favours, coming to terms with small-town life and its unforgiving righteousness. Thon's talent is reminiscent of Peter Carey's distinctive, sharply lyrical and based on mastery characterisation.

Also very good: *Moset Dreaming*, by Justin Cartwright (Picador, £5.99), a stunningly well-realised tale of a would-be movie scriptwriter researching the story of a young Frenchwoman, Claudie, who lived among the Masai before being sent from Paris days before its liberation, to Auschwitz. Complex, and poetic. "Whatever happens to me," writes Claudie to the Masai in her last, unbearable message, "I wish that you may have many cattle and plentiful green grass. And wherever God takes me I will dream of you."

Honourable near-miss, her memorable and enjoyable Thomas Kenessy's too-elegant *Jacks The Great Intruder* (Hodder & Stoughton, £15.99), a tale of TV folk (monsters, all). This is Kenessy's 22nd novel, and has enough material (New York, Sydney, the Northern Territory, fall of the Berlin Wall) to have succoured his 23rd and 24th ones as well. Here's to his 25th.

CHRISTIAN TYLER

If fiction is passion, non-fiction is more like obsession. A sufferer of the latter sort, I found total release in Eric Hobsbawm's *Age of Extremes* (Michael Joseph, £20), a brilliant history of our own century by one of its foremost Marxist intellects. One can disagree with Hobsbawm's judgment that the 75-year struggle between communism and capitalism will be seen as less important than the worldwide technological revolution. One can reject his pessimism. But one cannot escape the shudders of recognition as Hobsbawm describes us, as if he were looking back at us from 200 years away. A millennial milestone.

For description more heady than any novel, I choose *Under My Skin* (HarperCollins, £20), the first volume of Doris Lessing's "autobiography." Her account of childhood – in other hands so often tedious – is objective, subjective and magic. It is as if the child herself were writing with the old woman's pen.

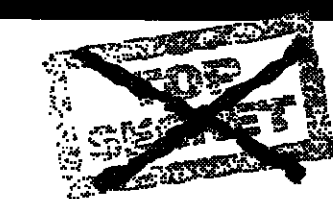
A quite different sort of pleasure was Martin Gilbert's *In Search of Churchill* (HarperCollins, £20), where the world record-holding biographer takes a day off, as it were, shows us round the factory giving us a colourful sketch of Sir Winston and a quick peep at himself.

JACKIE WULLSCHLAGER

Top of my list is Claire Tomalin's *Mrs Jordan's Profession* (Viking, £16), the haunting tale of the great actress who lived with King William IV, bore him 10 children and was then ditched in favour of a wealthy royal wife. Tomalin's reflection on public and private life, on royalty, on theatre and society, have a blazing contemporary interest. Her backcloth of 18th-century good living shading into 19th-century morality is spirited cultural history seen through the prism of a passionate, fragile woman. A book glowing with both ideas and warmth.

David Cannadine's *Aspects of Aristocracy* (Yale, £19.95) is a hugely enjoyable portrait of the upper classes at play and at work, in debt and in love, on the way up and on the way down. It is the perfect history book for the non-historian. Ample in scope but full of human detail, accessible and graceful in its scholarship, witty and opinionated in style. Most beautiful book of the year must be the exhibition catalogue *The Glory of Venice* (Yale, £22.50) – a celebration of familiar masterpieces and an introduction to exquisite drawings, prints and book illustrations by artists such as Canaletto, Guardi, Piazzetta and Tiepolo.

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FT CHRISTMAS BOOKS

Talking books shake off Cinderella image

Gary Mead looks at the fastest-growing sector of contemporary publishing

Too busy to sit down and actually read the Bible? Never mind. Now you can listen to it as you drive around the M25, south-east England's latter-day version of Dante's hellish circles. For £199, Isis Audio Books delivers an uncut version, 66 cassettes, requiring 86 hours of listening. For lesser sums you can have smaller segments.

It is a great effort by the publishers but by no means 1994's most important development in the talking book market, which is the fastest-growing sector of contemporary publishing, expanding by an estimated 10 per cent annually.

There are about 50 publishers of audio books in the UK. Much of the output is, sadly, inferior. There are notable exceptions, with some publishers - such as Cover To Cover, Chivers, the BBC and Penguin - producing exceptional recordings.

But the 1994 Golden Microphone Award - if it existed - would unquestionably go to Naxos, the classical music specialist which has built a solid reputation for producing premium-quality CDs at budget prices.

That such a carefully-managed label thinks this field, snobbishly disregarded by many chattering class members, worth entering, is the best indication that audio books are no longer publishing's poor relation.

The Naxos label, which also offers some recordings on tape, is worth considering for several reasons. First, Naxos has gone straight into CDs - meaning superior production qualities - while other publishers are still locked into the antiquated cassette market.

Second, price is a factor; a two-CD Naxos recording will cost you £6.99, while most other publishers charge £7.99 for a two-cassette book.

Naxos also selects and produces its voices with great care; of the 20-plus Naxos books now available, all are read - performed is more accurate - by superb voices.

And, while all Naxos books are abridged, a controversial matter, editing has been handled sensitively. Thus, in the Naxos recording of Joyce's *Ulysses* (four CDs, £30.99, 4hrs, 45mins), the accompanying booklet explains what has been cut and why.

At last a publisher is alive to the

full range of audio possibilities. Naxos uses its vast catalogue of classical recordings to supplement its talking books with appropriate musical extracts, highlighting and complementing the mood of the spoken word.

For example, for its version of Dostoevsky's *Crime and Punishment* (read by Michael Sheen, three CDs, £3.99, 3hrs 45mins), Rachmaninov's "The Isle of the Dead" is a fine choice for the text.

Opting for a reliable brand name is generally - but not always - sensible. Choosing an unabridged audio book by the two best companies in the market, Cover to Cover and Chivers, is probably the wisest course.

There are now so many versions of the same text available that selection can be a problem. For example, there are three new accounts of *Middlemarch*: Penguin's (abridged, four cassettes, £9.99) read by Harriet Walter; the BBC's (also abridged, four cassettes and £9.99) read by Ronald Pickup; and, by far the best, Cover to Cover's unabridged version (24 cassettes, £68.99) read by Maureen O'Brien.

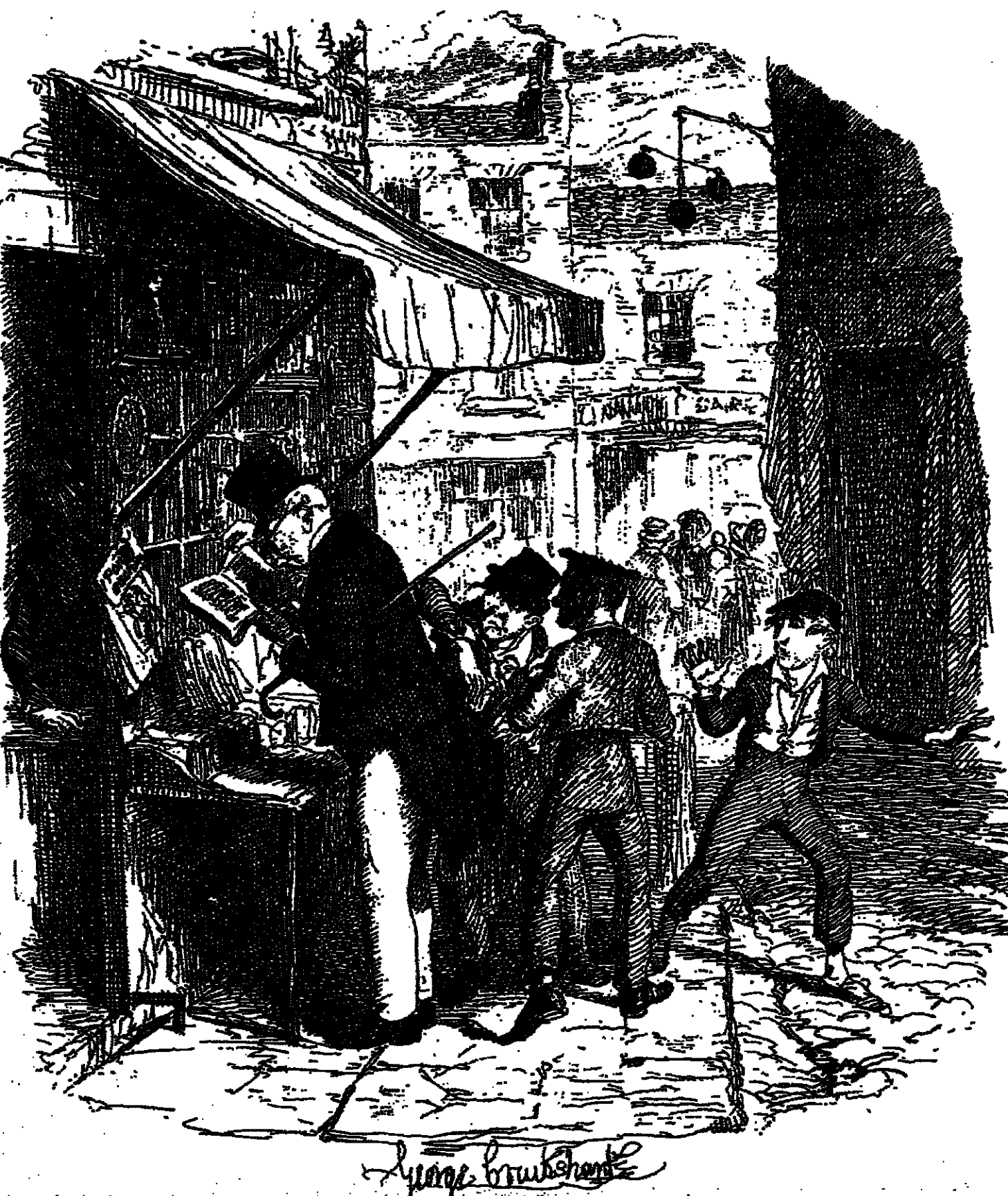
Walter is either unable or unwilling to use her voice to distinguish between characters. Ronald Pickup at least varies accent and rhythm but, if you can afford it, the best by far is O'Brien's version, which, skillfully varies accent, intonation and pace.

Abridgement continues to cause controversy but sometimes it is a positive merit.

A good example is Terry Waite's *Taken on Trust*, his memoir of incarceration in Beirut. Chivers has brought out an uncut version, read by Waite, costing almost £50 for 12 cassettes. Waite's plodding delivery of his own ponderous text rapidly palls; on the page the dullness can be skipped. This is not so easy on cassette - which is why you may opt for Hodder Headline's Audiobooks version, under £10 for two cassettes, also read by Waite.

If you have the money and time for an unabridged story, particularly by classic authors who have powerful narrative skills, on the page, then there really is no other publisher to go for than Cover to Cover, which this year has brought out some wonderful recordings.

Miriam Margolyes brilliantly



The Dodge demonstrates his artfulness: George Cruikshank's drawing from Dickens' "Oliver Twist." Miriam Margolyes brilliantly delivers the story on Cover to Cover's 12 cassettes (£34.99). If you have the money and time for an unabridged story, particularly by classic authors, the company has brought out some wonderful recordings

delivers *Oliver Twist* (12 cassettes, £34.99), as does Timothy West with *Barchester Towers* (14 cassettes, £39.99) and the popular Martin Jarvis gives a splendid performance in *Great Expectations* (12 cassettes, £34.99).

Chivers also has an enviable, often highly entertaining, range of recordings. Gems this year include Olivia Manning's *Friends and Heroes*, the final volume of the *Balkan Trilogy* (10 cassettes, £37.99), two *Flashman* novels (*Flashman at the Charge*, both eight cassettes and £31.95) read by Timothy West. Jeffrey Archer's *Not a Penny More*, *Not a Penny Less* (splendidly read by Archer sound-alike Alex Jennings, eight cassettes, £31.95) is

good for a long car journey. The relaunched Argo label, which has reverted to Polygram, has re-released some excellent material this year, including *I Claudius* read by Derek Jacobi (two cassettes, £7.99), and *Three Men in a Boat*, vividly handled by Jeremy Nicholas (two cassettes, £7.99).

Laurie Lee reads *Older With Rosie* (two cassettes, £7.99): one instance where the writer also proves to be an excellent reader.

Other publishers fare less well, regarding the growth in audio book sales as little more than a chance to squeeze some extra cash from back lists. In this market, price and reader name is no guide to quality.

The BBC generally never puts a foot wrong, and Alan Bennett

reading his own *Diaries 1980-1990* (two cassettes, £7.99) or William Hurt reading Paul Theroux's *The Great Railway Bazaar* (two cassettes, £7.99) are two fine examples of compelling texts matched with the very best readers.

One slight disappointment is Kenneth Branagh's reading of Laurie Lee's *As I Walked Out One Midsummer Morning* (two cassettes, £7.99). His voice is too sterile, too contemporary, for the subject matter.

From its much-hyped launch a year ago, Penguin has proved hit-and-miss. Perhaps the problem is over-production - more than 80 titles - combined with what appears to be a determination to go for well-known faces rather than

the most appropriate voices. While Timothy Spall gives a hysterically funny reading of William Boyd's *A Good Man in Africa* (two cassettes, £7.99), Fiona Shaw's reading of another Boyd novel, *Brazzaville Beach*, is comatose.

For unintentional hysteria, try Roger Moore's rendition of Jack Higgins' *Thunderpoint* (two cassettes, £7.99), where Moore does as fine a version of ham Nazi as you could wish for. Or borrow for goodness' sake do not purchase -

Kuki Gallmann's *I Dreamed of Africa* (two cassettes, £7.99), read by Isabella Rossellini. Famous film star she may be; but here she betrays not the slightest understanding of the English language.

A rich, heady brew

Anthologies, like Christmas parties, are great fun, but exhausting, over-crowded, and leave you with a morning-after sense of having indulged too greatly.

Oxford has made a corner in this kind of publishing. Pride of place among its offerings this year is John Gross's *The Oxford Book of Comic Verse* (£17.99).

Gross scattered invitation cards across several centuries, from Anon and Chaucer in the Middle Ages to Victoria Wood and Vikram Seth in our own time and he received 100 per cent acceptances to make an hilarious event.

Comic verse he defines as "verse which is designed to amuse" and that includes an awful lot of verse; but it stops short, in Gross's eyes, at full-blooded satire.

Foyle and Swift are there, sure enough, but not fulminating. They are in lighter vein alongside some people we do not normally think of as poets at all, Max Beerbohm, Ronald Knox, C.S. Lewis, John Updike, Cyril Connolly. Nor has Gross neglected verse designed initially to be sung including W.S. Gilbert, Irving Berlin, Cole Porter, Ira Gershwin, Michael Flanders. All in all, Gross has done an excellent job.

So has D.J. Enright in tackling a subject of equally formidable scope in *The Oxford Book of The Supernatural* (£17.99). His method is to break the supernatural up into a dozen or more categories that include such vast areas as "Loving Revenants", "Vampires, Werewolves, Zombies and Other Monsters", "Miracles and Prognostications", "Art and Intuition" and "Dreams, Coincidences, Telepathy". Familiar passages and highly abstruse ones lie cheek by jowl as in "Animal Spirits" where the disappearance of Hamlet's father's ghost - "It faded on the crowing of a cock..." - precedes a passage from A.E. Waite's *The Occult Sciences* that cites many instances of the belief that a crowing cock acted as a curfew for visitors from the other world.

I am not really qualified to pronounce on Patricia Craig's *The Oxford Book of Modern Women's Stories* (£17.99), but let me say that it contains 40 stories chosen by a compiler who has worked tirelessly for the recognition of popular fiction.

The Impossible Art of Golf: An Anthology of Golf Writing (OUP, £16.99) is selected by Alec Morrison, captain of Rye Golf Club in 1980. In this instance I can personally vouch for the impossibility. (I currently play off 24 or, if I am lucky, the grass). Here are such veterans as Bernard Darwin and Henry Longueville, Alister Cooke, the American sports journalist Herbert Warren Wind and F.C. Woodhouse. Ian Fleming is in - Bond's round with Goldfinger is here in toto - and so is Julian Barnes but not, surprisingly, Patrick Hamilton nor Morrison's fellow member at Rye, Henry James, whose few comments on the game are worth heeding.

Anthony Curtis

Biography

A vintage crop in a golden age

JDF Jones with the distinguished - and often exciting - works of the past 12 months

It has been a wonderful year for biography, a difficult craft which is surely going through a golden age. Fiction this year has been problematical (see the Booker Prize) but there has been a flow of excellent biographies whose subjects have been drawn more often from literature than from politics.

Not a week passes when there is not a biography to top the books pages. This year has brought weighty (in both senses) and readable lives of Hardy, Virginia Woolf, Richard Hughes, Charlotte Brontë, Balzac, Stendhal, James Baldwin, Kipling, Shakespeare, Brecht and Greene.

From my own reading, I would want to highlight another half-dozen. First and foremost, a brilliant trio of literary biographies: on D.H. Lawrence (*The Man Who Loved Women*, by Brenda Maddox, Sinclair Stevenson, £20); on *The Brontës* by Juliet Barker (Weidenfeld, £16); and on *Edwin Waugh* by Selina Hastings (Sinclair-Stevenson, £20). These three are outstanding the various awards - and there is no point in asking why so many of the best literary biographers are women.

The Lawrence book is unashamedly sympathetic to the man and to his German wife, Frieda. Brenda Maddox, who was a good friend and lover as well as a good man. The Barker book - following 1,000 pages but impossible to miss for any devotee of that extraordinary family. As for Lyndall Gordon (Chatto,



Edwin Waugh the subject of a splendid study by Selina Hastings

£17.99) - is dramatically revisionist stuff, from a former curator of the Haworth museum, stripping out the stereotypes, murdering the myths and leaving a book of excellent biographies of Charlotte Brontë earlier in the year by Lyndall Gordon (Chatto,

reckon that he deserves a rest, but Selina Hastings has produced a splendid read emphasizing his early years. Historical biography is led by another distinguished book from Claire Tomalin, a brilliant summation of the life of Dora Jordan, top actress, mis-

stress of the future William IV, mother of a dozen of his children, who was cast aside for reasons of state (*Mrs Jordan's Profession*, Viking £18). Add to the history list important new biographies of William Tyndale by David Daniell (Yale, £19.95), Curzon by David Gilmour

(John Murray, £25) and *Chamberlain* by Peter T. Marsh (Yale, £30).

I got more simple fun from the stories of two colonial figures, early and late - Livingstone (hardly a new subject but well revived in *Journey to Livingstone* by Timothy Holmes (Canongate Press, £17.99) and the nutty Francis Younghusband, invader of Tibet and a hippy ahead of his time (*Younghusband, the Last Great Imperial Adventure* by Patrick French, HarperCollins £20). Best of all, for the late-Victorian period, was Fiona MacCarthy's end-year life of *William Morris* (Faber, £25), which brings together the radical politics with the medieval-inspired crafts.

But the lives of writers seem to be more attractive to publishers than those of politicians, with the exception of old stalwarts like Churchill: there was a new and controversial biography by Clive Ponting (Sinclair-Stevenson, £20) and a rather odd collection, *Eminent Churchillians*, by Andrew Roberts (Weidenfeld & Nicolson, £20).

Scott Fitzgerald, for instance, collected another biography, from the prolific Jeffrey Meyers (Macmillan, £17.99), and another American drunk, John Steinbeck, was rather luckier at the hands of Jay Parini (Heinemann, £20). There was a batch of books about Graham Greene, but reserve judgment until the final volume of Norman Sherry's trilogy.

Oh, there was also a biography of the Prince of Wales...

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FT CHRISTMAS BOOKS

From Nietzsche to Fred Ott

This year, children's non-fiction books really tested the ingenuity of publishers

This Christmas you can furnish your child with a pyramid, a dinosaur and a glimpse inside a mummy case and all without venturing on to the information superhighway. This is the result of publishers' ingenuity in tackling the brave new world of computer graphics and virtual reality in an attempt to make children's non-fiction more interesting.

Start with *The Secrets of Sculpture* (Kingfisher, £12.99), a collection of facts, figures, pictures and graphics, ringbound and printed on glossy laminated paper, exploring sculpture in all its forms from the 24,000-year-old ivory head found in France to Jean Tinguely's contemporary mechanised sculptures made from junk.

The exuberance of this book - it pulls out, folds up and can be torn apart - will go a long way to persuade children that books are just as much fun as computers.

Additional sweeteners include an index - a rare commodity in children's books - a few organic odds and ends attached to the pages and a folder of stickers at the back. Highly recommended for all ages.

In the same series, Kingfisher also does *The Living Forests* and *From the Big Bang to Electricity*.

Interactive seems to be the festive season's buzzword. Doring Kinderley's *Action Pack Pyramid* (£12.99) takes the idea even further.

This is a book in a box which includes a model pyramid you can make, a poster of Ancient Egypt, the Great Tomb Robbery board game, a hieroglyph decoder and a gruesome mummified corpse.

This series also includes *Night Sky* and *Dinosaur*, which comes with a press-out scale model of a pleasant-looking stegosaurus.

Doring Kinderley's *Incredible Cross Sections* series continues with *Castle* (£12.99) by Richard Platt and Stephen Biesty, a detailed look at the inside of a 14th century fortress.

Biesty's illustrations are teeming with medieval life - old ladies quarrelling over bags of grain, a young nobleman being knighted, someone being tortured, a chilly looking guard who has lost all his clothes in a game of dice - and are accompanied by plenty of facts and figures (did you know that owners

of battlemented houses had to have a licence to crenellate?) and a "Where's Wally"-like competition to find an enemy spy.

Maintaining a dignified reserve when it comes to fold-ups and pull-outs, Oxford expands its children's reference series this winter with the *Children's Book of Famous People* (£20).

If your child is old enough to read this book, he would probably prefer to be given £20 worth of Power Rangers. But for parents this will be

your offspring's ideal Christmas present - a thick book full of school-quiz answers.

Interesting snippets of information about the likes of Charlemagne, W.G. Grace, stout Cortes, Nietzsche and Isaac Newton (even some women creep in: Martha Graham, dance queen; Madonna and, rather bizarrely, Margaret Mahy, the New Zealand writer). The whole thing is beautifully produced and stuffed with colour illustrations.

If you have spawned an embryonic film buff, search out Robin Cross's *Movie Magic* (Simon & Schuster, £10.99), a first-talking, richly illustrated guide to everything to do with movies.

Starting with the first film ever made, the explosive *Fred Ott's Sneeze*, in which Thomas Edison filmed one of his assistants harrumphing into his hankie, Cross tracks across movie history up to the 1990s, when movie moguls make their money out of post-production spin-offs.

What today's marketing men would have made of Fred Ott's legendary sneeze is too horrible to contemplate.

Carolyn Hart

Picture magic

Anthony Browne on the power of make-believe

On Christmas day, when computer games bore, the board game ends in tears, the sweets induce nausea and grown-ups snore in front of the television, what could be more enjoyable than discovering other worlds inside a new picture book?

Badger's Bring-Something Party, written by Hiawyn Oram and illustrated by Susan Varley (Andersen Press, £2.99), is a brilliant combination of pictures and words.

Mole has nothing to take to badger's bring-something party - except himself.

When the other animals belittle him, Mole is ridden with guilt and shame, but finally wins them over just by being himself. One is inevitably reminded of E.H. Shepherd by Susan Varley's gentle line and wash illustrations which perfectly complement Hiawyn Oram's wonderfully subtle text.

The standard of illustration in children's picture books is high, but it is almost impossible to find picture book texts that come anywhere near that standard.

Too often they read like short stories, or are self-consciously poetic, excruciatingly cosy, or just bland. Of all the picture books published this year this is one of the very few in which the text is at least on a par with the pictures. And they work perfectly together.

Rosalee and the Great Fire of

London, written and illustrated by Catherine Brighton (Jonathan Cape, £8.99), tells the strange and exciting story of how Rosalee and her pet pig, Roger Bacon, escape the clutches of a mysterious, evil man who inadvertently starts the Great Fire. The stunning watercolour paintings are the stars of this book as we follow the heroine's flight against magnificent backdrops of 17th century London in flames. The text is perhaps a little over-written, sometimes telling us what we can see in the pictures. But what pictures...

Doing Christmas by Sarah Garland (Bodley Head, £7.99), shows a frazzled single parent family's preparations for Christmas, and the arrival of an exuberant granny. The text is minimal, and the downbeat understated illustrations carry most of the story with sly and subtle humour. Both parents and children will see much that they can identify with in this deceptively simple book.

The Shop of Ghosts adapted from an original story by G.K. Chesterton and illustrated by Tony Ross (Andersen Press, £2.99) is a superbly illustrated version of an unfamiliar Christmas tale. Grandad tells the story of a Christmas long ago when he was a boy and found a magical toy shop. Inside was a sad Father Christmas who told the boy that he was dying.

Visitors from the past, Charles Dickens, Shakespeare,

Robin Hood and King Charles II, entered the shop and all recalled that in their day he had been dying, too. Tony Ross brings this rather odd, touching story vibrantly alive with brilliant use of colour and design. The pictures achieve a sense of modernity combined with a nostalgic atmosphere that owes nothing to pastiche.

The Happy Prince, from the fairy tale by Oscar Wilde and illustrated by Jane Ray (Orchard Books £2.99), is another re-telling of the well-known story of a friendship between the statue of the Happy Prince and the swallow on his way to Egypt for the winter.

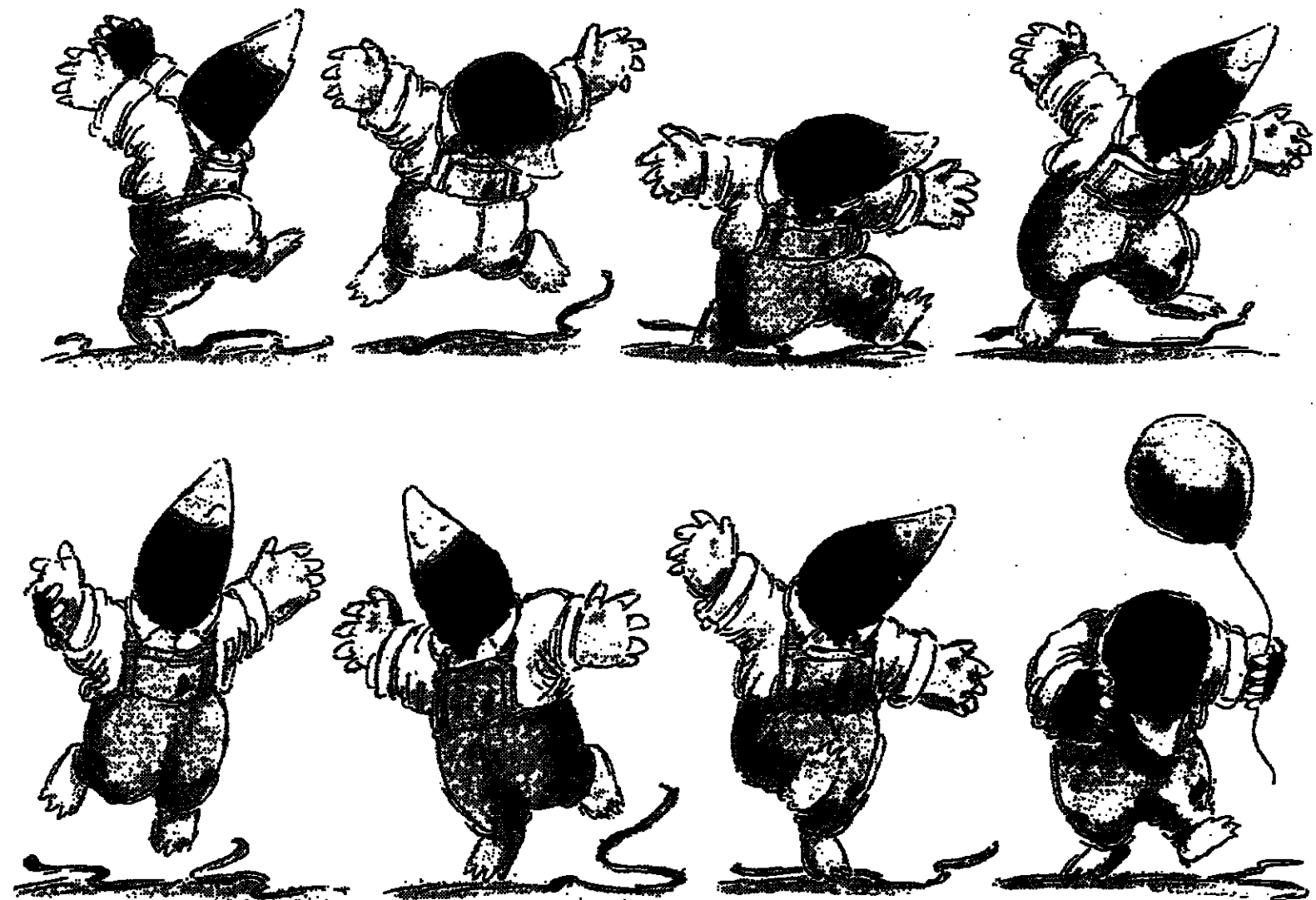
What makes this version special are Jane Ray's magnificently sumptuous, jewel-like paintings. I would have preferred rather more contrast between rich and poor, warm and cold (perhaps less gold ink on some spreads?) but this is quibbling: the book is a very beautiful object.

The Big Big Sea written by Martin Waddell and illustrated by Jennifer Eachus (Walker Books, £7.99) is the brief glimpse of a magical moment - a mother and daughter's moonlit walk by the sea.

This idea steers dangerously near the self-consciously precious but Martin Waddell clearly understands how picture books work and his simple text in combination with the delicate photographic drawings make an exquisite visual poem.

Browne's version of the story by Edgar Wallace and Merian Cooper in which a giant, time-warped gorilla is pursued and captured by greedy entrepreneurs, makes the similar world to new heights of sophistication.

Traumatic illustrations showing the agony of the captured King Kong, and his chilly depiction of an old New York crowded with sharp ladies and men wearing burg hats, make Browne's *King Kong* a classic in its own right.



Mole has a ball: from 'Badger's Bring-Something Party' written by Hiawyn Oram and illustrated by Susan Varley (Andersen Press, £2.99). A brilliant combination of words and pictures in which Varley's gentle line and wash recalls E.H. Shepherd's illustrations for Winnie Pooh

A glimpse of worlds within worlds

Carolyn Hart selects wise, witty and fantastic fiction for older children

The latest book by Gillian Cross, former winner of the Whitbread Children's Novel Award, is a *tour-de-force*. In *New World* (OUP, £9.99), two children, Miriam and Stuart, are given the task of testing out a new computer game: "New World", the game, is shrouded in secrecy.

Miriam and Stuart never meet, but play against each other on separate computer screens, talking a terrifying electronic world of skeletons, cowboys, spiders and crocodiles. The intrigue extends beyond the game - a third child, a code-smasher, is trying to infiltrate the action.

The tension in the novel arises from the race between the children to crack the puzzle, but each becomes aware of a more sinister side to an apparently innocent computer game. Eventually the children band together to defeat the megabuck company which is planning to flood the market with it.

But Cross's book is more than just a thriller. It is a seri-

ous indictment of the addictive hold computer games can have over children. "Miriam wanted to stand there gazing, until the doors opened again. Until she could get back into the New World where she had been really alive and awake."

New World explores the children's increasing feelings of alienation, fear and paranoia as they dig deeper into the game - as a metaphor for drug addiction it is frightening; as a straight story it is a gripping piece of writing.

Sylvia Waugh's *Mennymys in the Wilderness* (Julia MacRae, £2.99), a sequel to *The Mennymys*, is a different type of book altogether. The Mennymys are human-sized rag dolls who inhabit a house in suburbia.

Since this is an English suburb, they have managed to keep themselves a secret for years but now their house is

threatened by a new motorway and they must flee or be discovered.

Help arrives in the form of a shy academic named Albert Pond who helps the Mennymys move to his crumbling ancestral home in the Dales. Putting a city family (albeit a rag-doll one) into the depths of the countryside allows Waugh all sorts of fun, but the charm of the book lies in the characters of the Mennymys - these are warm-hearted and loving, but, nonetheless, they bicker, fight, feel envy and fear.

This is a wise, witty book, fantastic in a way that will appeal to the average nine or 10-year-old, but with enough domestic detail to make it instantly recognisable to a younger child.

Necessary Parties by Barbara Dana (Oxford, £9.99) tells a story about divorcing parents

and unhappy children. When his parents split up, Chris Mills, using as his guide the book *The Rights of Young People*, decides to take his parents to court on the grounds that they are irresponsibly wrecking the life of his younger sister, Jenny.

He finds an eccentric young lawyer who charges a dollar for his services and, with the help of his lonely granddad and a car-owning friend, proceeds to build up the case against his parents.

Necessary Parties has a happy ending which may make it a dangerous book to give to children whose families have irretrievably broken down, but it gives a forceful and much needed boost to the idea that children can be active participants in family life, and to the notion that divorce is not always the only answer.

The most ambitious and inventive children's novel published this year must be Ian McEwan's *The Daydreamer* (Cape £2.99), in which Peter, an 11-year-old boy teetering on the edge of adolescence, inhabits a magical world of ideas and inventions.

Like a domestic Attila the Hun, Peter's imagination runs riot amid the debris of family life. A pot of vanishing cream discovered in a drawer enables him to make his family disappear: a peculiarly horrible, balding, one-legged doll becomes a Jimmy Knapp-like presence in the nursery demanding better living conditions; and, one cold winter's day, envious of William's ability to sleep all day on a radiator, Peter swaps sniffs with the family cat, feeling "his whiskers springing out from the sides of his face... his tail curling behind him... and his fur... like the most comfortable of old woollen jumpers..."

As a cat, Peter is an heroic figure, but when he gets inside the skin of Kenneth the baby, he becomes a victim of circumstance. "He was just drawing breath to fill his lungs and bawl out his sorrow when something powerful clamped under his armpits and he shot fifty feet into the air."

"His mouth hung open, he was dribbling in his amazement. He was staring into his Aunt Laura's face which was as sheer and colossal as a cliff..."

Peter, as Kenneth, is overwhelmed by sensation; the explosive taste of egg, the

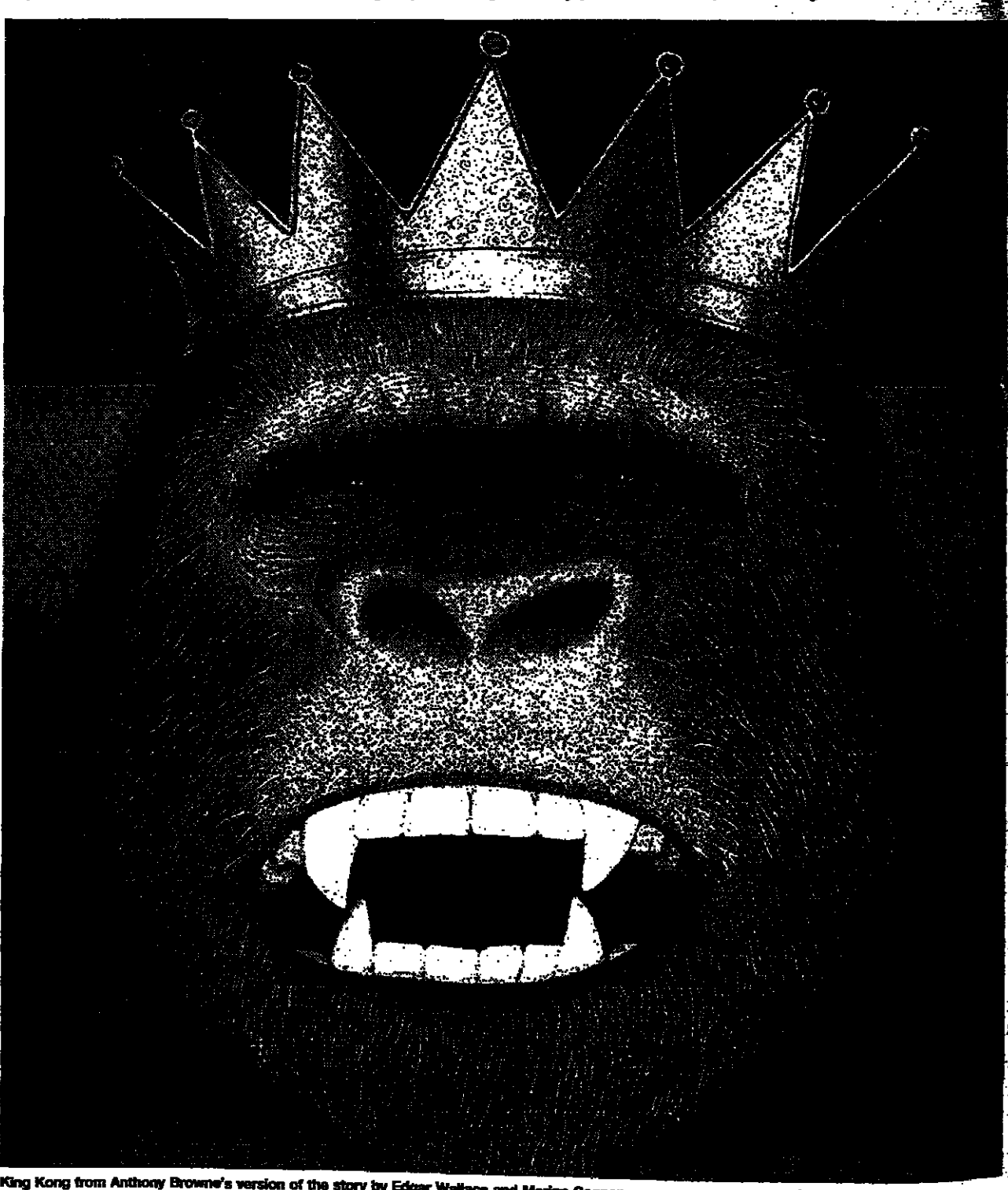
beauty of shadow patterns on a wall. Even Baa Baa Black Sheep seems suddenly interesting. This is the infant version of the Marrian's postcard home, and a telling prelude to Peter's last metamorphosis - into a grown-up, sitting stolidly on a deckchair while his

friends play on the beach below, having his first taste of coffee: "It tasted foul, as if burnt cardboard had been mashed up and boiled in bath-water."

The Daydreamer is illustrated with eerie black and white drawings by Anthony

Browne (who also reviews picture books for the Financial Times - see above). Browne makes a further appearance this winter in a large format picture edition of *King Kong* (Julia MacRae, £12.99).

Gorillas have always figured strongly in his work, but



King Kong from Anthony Browne's version of the story by Edgar Wallace and Merian Cooper

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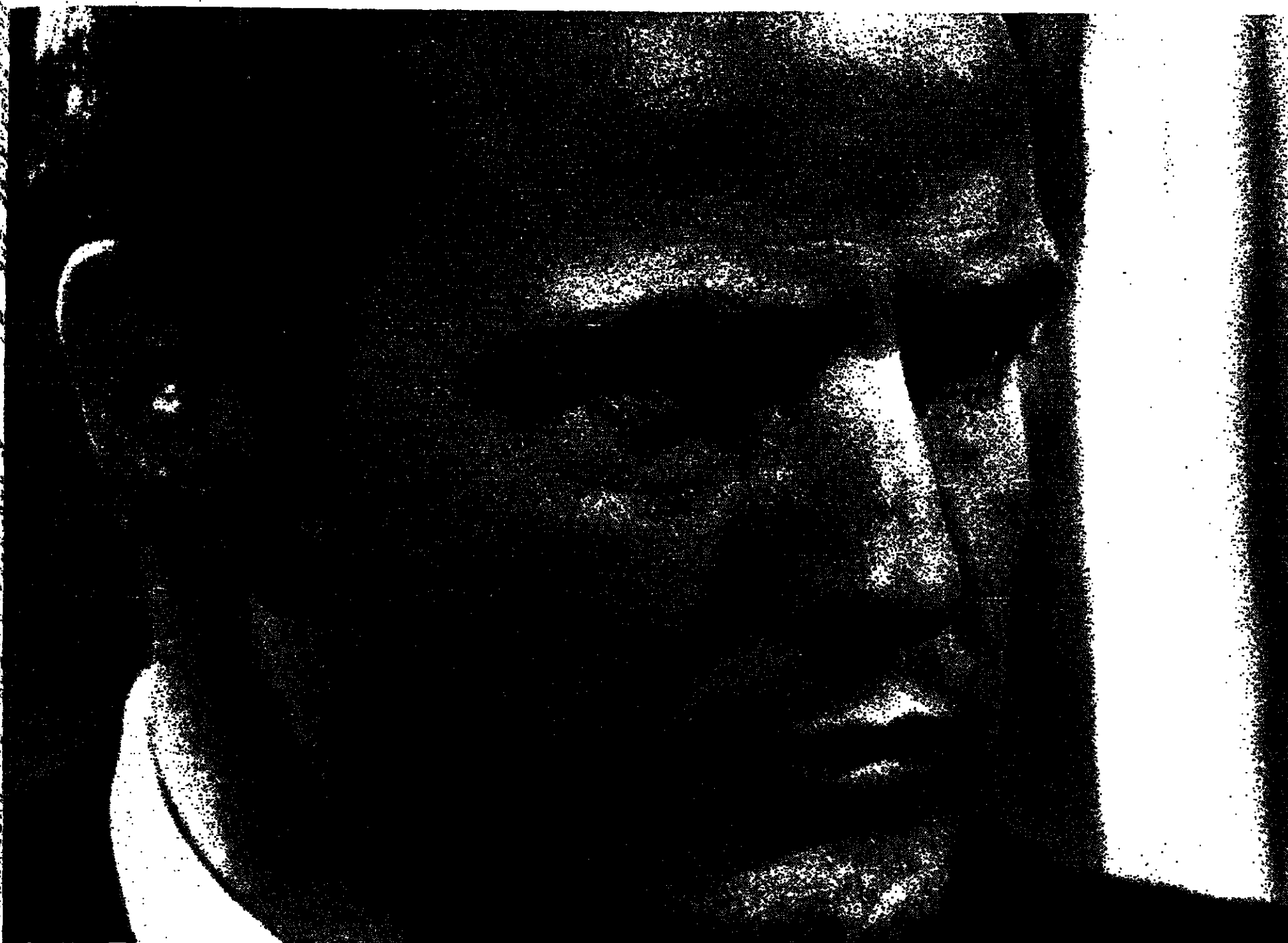
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صكرا من الامم



Marlon Brando ruminates about sex, ethno-politics and Tahiti - distantly followed by thoughts about acting - in his own reminiscences. A second book, Brando, by Peter Manso, tells us much more about the Method superstar

Memoirs of the silver screen

Ghosted or navel-gazing, Nigel Andrews finds cinema's stars and champions taking up the pen

The pre-Christmas season - nay, the whole year in film book publishing - has been dominated by the ghostly autobiography.

We do not mean just "ghosted" though these too have abounded: led by Marlon Brando's exhumed navel-gazing feat *Songs My Mother Taught Me* (Century, £17.99). As transcribed by ghostwriter/author Robert Lindsey, the

songs seem to have been sex, ethno-politics and Tahiti, distantly followed by Marlon's thoughts about acting.

A skyer performer commercially but a far better book is Milos Forman's *Turnaround* (Faber, £17.50). Written with Jan Novak, the Czech director who emigrated to Hollywood to make *One Flew Over the Cuckoo's Nest* and *Amadeus* is honest about his life (*Bagtime*, *Vahmani*) and affably surprised

by his successes. He is also a priceless witness to his native country's disillusionment as the Prague spring that cradled Forman's best films - *A Blonde in Love*, *A Fireman's Ball* - yielded to Soviet winter.

Also prominent on the ghostly movie-memoir shelves is that doppelgänger oddity, the "X On X" book in which a famous director confronts himself and his work in a full-length career reflection.

Woody Allen on Woody Allen (Faber, £14.99) is the best recent addition to this sub-genre. The book has a probing, may prolix, inquisitor in Swedish film buff Stig Björkman - the questions are often longer than the answers - but Björkman does prize open a filmmaker usually prone to hermit-crab responses.

Allen does not discuss *Pulp Fiction*. But he is game for everything else, including fascinating scrutinies of recent masterworks like *Crimes And Misdemeanors* and *Husbands And Wives*. Last in the "all about me" category of film book, there is autobiography by letter. Actors and directors are not natural *beaux lettres*: much of their scribbling is taken up with transactional nitty-gritty. It can be like having an AGM report for your bedside book.

This year's best epistolary

memoir, *Jean Renoir's Letters* (Faber, £25), relieves torpor with eye-opening gobs of about individual films. Although more letters survive about the inferior American period than about *La Règle Du Jeu* or *La Grande Illusion*, Renoir is mischievously enlightening about the horrors he had to go through to make *Swamp Water* or *This Land Is Mine*. And since the film-maker struck up pen friendships with Henry Miller, François Truffaut and Ingrid Bergman - both sides of the correspondences are included - there are delights on social-cultural history.

After the swell of self-portraiture, it is a relief to take the "auto" out of autobiography. Peter Manso's *Brando* (Weidenfeld, £20) is so much better than Brando's own Brando that you wonder why you read the latter at all. Nine hundred pages long, Manso's book subjoins some 700 witnesses we could imagine, and several things we could not have, about the Method superstar.

Manso gives us glimpses of Brando the schoolboy, Brando the womaniser, Brando the practical joker (terrifying) and Brando the real-life courtroom tragedian, weeping as he testifies for his murder-charged

son. Less compelling is the eagerly awaited *Grace* (Sidgwick & Jackson, £18.99) by Robert "Majesty" Lacey. Poor Miss Kelly. First she vanished into royal gentility in Monaco, after being a beautiful screen meteor for ten years. Then she vanishes after death into the embalming insipidity of Lacey's prose. "How little Grace loved her Daddy" ... "She exuded a strange sense of calm and strength. She was a woman on the cusp ... And so on: all in the perfumed preservation of the hagiography.

From earlier months in the film-book year five times stand out. Robert Evans's autobiography, *The Kid Stays In The Picture* (Aurum, £16.95), is written with rude wit and seeming total recall by the one-time wonder boy of Paramount. Special subjects: *The Godfather*, *All McGraw*, drugs, scandal, recovery.

David Cade's *Joseph Losey: A Reckless On Life* (Faber, £20) is a stunningly thorough biography of the director of *The Servant* and *The Go-Between*; even though we sense that Cade has argued himself out of liking Losey by the close.

In *The Faber Book Of Movie Verse* (£20), Philip French and Ken Wlaschin scour the verse vaults for material ranging across eighty years and a dozen styles: from Ezra Pound

to Ogden Nash. And in *7 Minutes: The Life And Death Of The American Cartoon* (Verso, £19.95) Norman M. Klein does an even more dramatic gathering act, chronicling and advancing on cinema is now improved and enhanced in a new edition. Throw away Halliwell; get the real thing.

Finally, the oddest book of the year. It is *World Cinema: Diary Of A Day* (Mitchell Beazley, £25). Over 400 film people, some celebrated, some scarcely heard-of, tell us what they were doing all day on June 10 1993. (Why that date? Why not, asks editor Peter Cowie.)

So the Scorsesses, Taverniers, Putnam, Sean Penns, Roger Moore and Sir Anthony Hopkins fill in the blanks in this vast anniversary volume dedicated to cinema's 100th birthday, due next year.

Somewhere today in every part of the globe, the book proves, film people are at large eternalising fugitive reality. Cinema has been this century's art form. Now its champions are making quite clear that it will be the next century's as well.

readable - and at times highly entertaining - account of one ex Reagan speechwriter's experience of business school. One for the MBA or would-be MBA who has everything.

John O'Keefe's *Mind Openers for Managers* (Harper Collins, £5.99) - described as "magic" by Paul Daniels - is notable for being written by a Mandarin speaking hockey international who is now regional vice-president of Procter and Gamble in Europe. If nothing else, its collection of "mind opening" riddles, slogans and proverbs is an improvement on what comes out of the average Christmas cracker. (Example: a young boy had never hugged a girl in his life. He wanted to learn about hugging so he got out a book called *How to Hug*. To his disappointment when he got home he found it was not about how to hug at all. What had happened? Answer: He had taken out a volume of an encyclopedia.)

At the moment, though, my plan is to relax with *Christies of Golf* by Jonathan Rice (Pavilion Books, £12.99), which has a delightful cover and from which I have so far extracted the important fact that an unnamed Greek man holed in one at the 135-yard 8th hole on the pitch and putt course at Edgewarebury, Hertfordshire in 1978 - apparently the only golf shot he ever struck. Now that sounds like a real business book...

Tim Dickson

Great art reproduced

The 752-page, 8lb tome which I nudged round the 1990 Beccafumi show in Siena, it transpired, represented the good old days. At least the larger part of that weighty volume was devoted to the works of art on display.

Recent catalogues are no less unwieldy but they are distinctly less user-friendly. These hybrid art-books-cum-catalogues are characterised by interminable essays - not always obviously relevant - with minimalist catalogue entries rather apologetically tacked on to the end.

Take the gargantuan *The Romantic Spirit in German Art 1790-1990*, hands-down winner of the year's most muddled-headed and unhelpful example of the genre (Thames & Hudson, £36). The catalogue for the show first seen in Edinburgh, its 500 pages boast no fewer than 47 scholarly essays on subjects as diverse as, say, *Romantic Irony*, *Landscape and the 'Tragedy of Nature'*, and *From the Romantic to the Modern*. The 283 exhibits are squeezed into a mere 18 pages. Exhibition catalogues no longer serve the purpose of illuminating individual works of art.

Thankfully, there still appears to be a place for the serious book. David Landau and Peter Parshall's seminal *The Renaissance Print 1470-1550* (Yale University Press, £45) is a revelatory study of an oddly neglected subject. Prints have always been treated as the poor relation of paintings and drawings; this is the book to convince the unconverted that prints deserve equal consideration.

No less refreshing was John Gowing's *Visions of the Modern* (Thames & Hudson, £26). Gowing is a rare beast, a writer and a distinguished painter. He brings to his scrutiny of 20th century art a formidable intelligence and visual sensitivity, and a rigour derived from an understanding of the art of the past. He is not afraid to convey this in language the layman can understand.

David Sylvester's more recent *Looking at Giacometti*

(Chatto & Windus, £26) must be the most lyrical critical biography of the year. Long in the making and endlessly revised, it is a thoughtful, highly personal and genuinely illuminating response to Giacometti's art.

Mondrian: The Art of Destruction (Reaktion Books, £35) is more mainstream. Carel Blokamp steers as clear a course as possible through Mondrian's theoretical writings, theological beliefs and the austere abstraction he termed Neo-Plasticism.

Despite the exasperating aspeak, Svetlana Alpers and Michael Baxandall's *Tiepolo and the Pictorial Intelligence* (Yale University Press, £35) offers a fascinatingly cerebral analysis of the masterpiece - the frescoes in the Residenz of the Prince-Bishop of Würzburg - of an artist not usually celebrated for his intellect.

Benozzo Gozzoli's frescoes of the procession of the Magi for the small private chapel of the Palazzo Medici-Riccardi in Florence rank among the most beguiling of the Renaissance - perhaps because the artist's heart remains firmly in the enchanted world of the Middle Ages. Cristina Acidini-Luchinat's sumptuous, 400-page *Chapel of the Magi* (Thames & Hudson, £55) reproduces the entire - recently restored - narrative cycle and life-size details opposite blank, black pages in the finest, self-indulgent Italian style. Little doubt that this will be the season's favourite picture book.

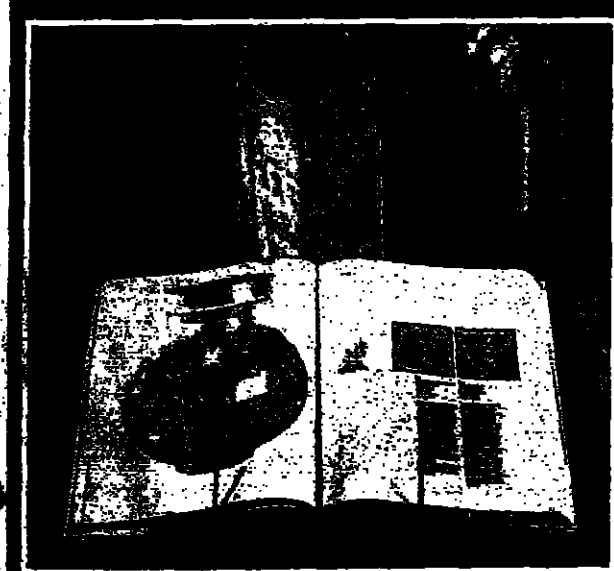
My favourite is the large-format *Michelangelo: The Medici Chapel* by James Beck, Antonio Paolucci and Bruno Santi, illustrated by the mouth-watering and masterly black and white photographs of the sculptures by Aurelio Amendola (Thames & Hudson, £36).

A particular pleasure too is Paula Rego's *Nursery Rhymes* (Thames & Hudson, £12.95). The nightmarish terrors conjured up in Rego's powerful Goya-esque fantasies make this a volume best kept out of the reach of tiny hands.

Susan Moore

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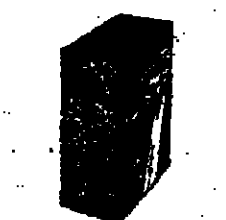
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Business blockbusters

Managing change and setting strategy are the two big corporate imperatives of the moment - and there is no escaping them in the bookshops. A rough search this week unearthed at least 20 current UK business titles with one or other of these words in the name (and some times both): the US scorecard probably runs to hundreds.

Competing for the *Future* by Gary Hamel and CK Prahalad (Harvard Business Press, £21.95) - in many people's view the business blockbuster of the year - has neither change nor strategy on its cover but is unambiguously a book about strategy. Its inspirational approach is calculated to appeal to business leaders bogged down, bored and frustrated by restructuring and business process re-engineering. The central message is that if you are sufficiently imaginative and forward looking there is no limit to what your company can achieve. The bad news is that it is not an easy read.

Another "important" book to get good notices this year was Michael Gold and Andrew Campbell's *Corporate Level Strategy* (John Wiley, £24.95). It develops their 1987 analysis of the three ways in which parent companies typically approach their businesses, namely through financial control (giving individual managers a lot of freedom), strategic planning (meaning close involvement with the development of future

plans) and strategic control (somewhere between the other two). Its disturbing conclusion is that most "multibusiness" companies do not add value to their subsidiaries; rather they destroy it.

Less widely acclaimed, but nevertheless a candidate for post-Christmas browsing despite its near 600 pages, is *The Fifth Discipline Fieldbook* by Peter Senge and others (Nicholas Brealey Publishing, £19.95). The lead author's previous book, *The Fifth Discipline*, introduced the now rather overworked idea of the "learning organisation": his follow-up is highly practical, packed with case studies, cross references and (rather pretentiously) wide margins for the executive scribbler.

By contrast, Charles Handy's *The Empty Raincoat* (Century, £12.99) is both philosophical and a winner, having topped the best seller lists for much of 1994. It is still well worth picking up, even if the main themes seem less provocative than a year ago: those who have missed it thus far may wish to wait for the paperback version due next spring. If Handy has achieved the

status of Britain's leading management guru, the man he arguably replaced is as prolific as ever. Sir John Harvey-Jones's *All Together Now* (Hammersmith, £15) is his new guide to managing people. It discusses recruitment and selection, coaching and the daily management of staff, and attitudes to training technology.

The combination of Harvey-Jones and HR (human resources) is unlikely to disappoint. Those looking for a more daring gift, notably modern women married to unreconstructed males, might slip their partner Michael Roper's *Masculinity and the British Organisation Man since 1945* (Oxford University Press, £25). Its conclusion that the classic macho manager is under threat from new technology and corporate restructuring seems bound to irritate. Carrie Herbert's *Eliminating Sexual Harassment at Work* (David Fulton, £12.99) - a guide aimed mainly at personnel and training specialists - could prove an equally barbed gesture.

On the lighter side, *Snapshots from Hell* by Peter Robinson (Nicholas Brealey Publishing, £9.99) is a surprisingly

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COLLECTING

Forces joined off Piccadilly

Susan Moore on Christie's plan to rival New York

It is rare enough to see art and antique dealers working together for the common good – a collaboration between dealers and an auction-house is unheard of. On Tuesday, the 60 or so dealers, framers, specialist art bookshops and shippers housed in the square mile of St James's, London, join forces

with Christie's to promote the area as one of the great art centres of the world and launch "On View in St James's".

Rather like the old Cork Street party – but no doubt far more dignified – the St James's initiative offers "open house" between 10am and 10pm, and hospitality after

5pm, to the clients of every participating firm. Discretion is maintained – no one is asked to divulge a client list – and costs are minimal. It is seen as a mutually beneficial exercise.

Anyone alarmed by the rarefied atmosphere of dealers' galleries – and who is not – is encouraged to feel they can go in and browse as they do in the saleroom. Christie's, in turn, is keen to generate in St James's something of the bustle and buzz of its New York premises, for at evenings and weekends St James's is deserted.

Having Christie's down the road is good for the dealers – and dealers are good for Christie's, too. Given the auction house's substantial property investment in the area, it is in its interests to preserve and enhance London's leading art community for pre-20th century art and antiques.

Anyone venturing north of Piccadilly will find more frocks than picture frames in Bond Street these days. We may see further "On Views" in the spring and summer.

Tuesday's event launches a high-profile week in St James's. Christie's auctions outstanding works of art from Houghton Hall on Thursday evening, the most spectacular offering of its kind for decades. At 13 Duke Street, Johnny Van Haefen unveils an exceptional winter exhibition of Dutch and Flemish Old Masters.

Three of the show's best pictures were acquired at auction from Sotheby's in the summer, and have returned from visits to the restorers after a light clean. Aelbert Cuyp's "Orpheus Charming the Animals" was the sensation of the season, and its most beguiling picture. Orpheus, as Ovid relates, was such a marvel



One of the jewels of St James's: "Pilgrim at the Gate of Idleness" by Burne-Jones

with his lyre that he could charm trees to move to shade him from the sun and draw wild beasts to his side.

Cuyp's ambitious canvas shows Orpheus gallantly shaded by an outcrop of uprooted trees and surrounded by a menagerie of domestic and exotic animals. Part of the charm of the painting is the awkwardness of the handling of the latter, from the jaguars, alibousted against the bright middle ground, and the spiny pangolin, to the thoughtful dromedary who listens intently. With the picture

priced at \$6.5m, a live menagerie would no doubt be far less costly.

The Rachel Ruysch is a tour de force of flower painting, and is generally regarded as her masterpiece. Anyone fortunate enough to hang Oeas Beert the Elder's still life in their dining room would never need to serve real food again.

One can almost taste the salty tang of the plump oysters resting on a pewter plate, and the sweet flesh of the roasted chestnuts. Ornate sweetmeats and sugared almonds are piled into Wanli Kraak porcelain

dishes, and boxes of quince jelly await the spoon. To leave us in no doubt of his virtuosity, Beert adds a couple of shells and glass goblets to gleam in the candlelight.

The view also coincides with a sumptuous exhibition of Chinese textiles at the newly refurbished premises of Spink, a wide-ranging show of modern paintings and drawings at Fineart in Mason's Yard, and Chris Beetles' annual festive jolly featuring British illustrators and cartoonists.

While few of the dealers have mounted special exhibi-

tions or published catalogues, most have re-hung their galleries. Peter Nahum at the Leicester Galleries in Ryder Street, for instance, is showing Pre-Raphaelites and Symbolists plus enjoyable decorative works for under £1,000.

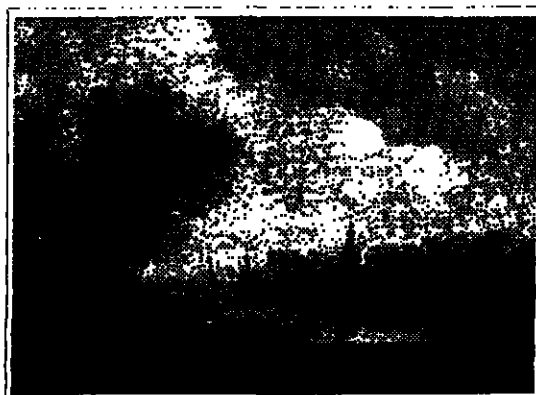
Unable to resist presenting one great picture (six noughts this time), he hangs Burne-Jones's "Pilgrim at the Gate of Idleness", a picture which, until 1980, rather implausibly belonged to the Maharajah of Jamnagar.

The canvas, dated 1884, along with its companion, "The

Heart of the Rose", and the larger "Love Leading the Pilgrim", now in the Tate, form a poignantly autobiographical trilogy on the theme of the quest for perfect love inspired by Chaucer's *Roman de la Rose*. Here the pilgrim meets Idleness personified as a beautiful maiden and shies away.

Any trail, any time, around St James's will reveal a remarkable range and quality of works of art on offer – from antiquities to silver, sculpture, furniture, ceramics and clocks – and some of the best shows in town.

RICHARD GREEN



Jan van Goyen (1596-1656). *A ferry boat leaving the river bank*. Signed with initials and dated 1651. Panel: 19 1/2 x 25 1/4 in / 49.5 x 65.5 cm

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Class conflict in Munich

Munich's art and antiques fair was the first of its kind in Germany. After more than 30 years, it is arguably still the best, and a new-broom administration this year has produced the most elegant event to date. Yet it seems uncertain that Munich will ever establish itself as an international event. It is not at all clear what the fair wants to be. The new-style 39th German Art & Antiques Fair International opens its doors to foreign dealers, but exhibits rather few of them. Apart from an illustrious group of antiquaries prominently placed by the entrance, there are only a dozen other non-German dealers – half the number of the previous year. Here, world-class objects rub

shoulders uncomfortably with the *gemütlich*. Some dealers display the likes of a Suetri bronze statuette after Giambologna, a spectacular piece of Augsburg silver, or a Degas drawing. Others offer rows of Bavarian charubs neatly repainted in gilt.

This state of affairs is unlikely to change while the fair is organised by the Association of Bavarian Art & Antique Dealers (there is no national association in Germany). The majority of its members have nothing to gain, and potentially a great deal to lose, if international participation is increased and standards raised.

Local dealers with international businesses such as Konrad Bernheimer, whose grandfather founded the fair in 1955, Albrecht Neuhaus, and Bruce Livie of Galerie Arnold-Livie, have been arguing for a decade that the fair's future lay as an international event. Now that the European Fine Art Foundation, organiser of the highly successful Maastricht fair, has decided on Basel for the venue for its new event, it may well be that Munich is offering too little too late.

It will be interesting to see how many dealers, German and foreign, transfer their allegiance to Basel. Certainly the success of Maastricht has been to the detriment of the Rhine-land fair, which was not hitherto open to the foreign trade. Perhaps the organisers at Munich should concentrate on consolidating its position as the leading German fair. A

number of innovations this year bode well for its future, notably improved presentation, a handsome loan exhibition, *Octet à Paris*, and a lecture programme.

There is still scope, however, for improving the overall quality of the fair without destroying its Bavarian flavour. Encouraging good, classic, modern art may be one solution. It is, after all, what people seem to be buying in Germany at present, and there seems to be a market here. Over the opening weekend, Galerie Norbert Blesser of Düsseldorf sold works by Ernst Wilhelm Nay, Picasso and Alexej von Jawlensky to one private collector, and another Jawlensky, "Mystical Head with Brown Eyes" for about DM500,000 (£237,000).

Munich's trump card is that

the Bavarian capital will always be a city that people like to visit – its hinterland is also conveniently rich. The fair has the reputation of showing important works of art, and this year is no exception. It is predominantly an "objects" rather than a "pictures" fair, although one of this year's highlights is an impressive Lucas Cranach of the "Virgin and Child with a sleeping John

the Baptist" (asking price DM2.5m).

On the stand of Neuse of Bremen, you can find a 33-piece Augsburg silver-gilt travel service of 1745-49 alongside its original fitted leather case (about DM2m), a choice group of Baroque *Wunderkammer* items, and furniture that might almost pass as sculpture.

The *Deutsche Kunst- und Antiquitätenmesse International* continues until tomorrow at the Messeplazende Theresienhöhe, Munich, 10am-6pm.

S.M.

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The pride of Lyons

Andrew Clark on the success of a new house in a city that decided to back opera

Things are going well for the Opéra de Lyon. Unlike most European opera companies, it has been almost immune to the recession, thanks to an inflation-proof public subsidy. Its controversial new theatre, designed by Jean Nouvel and inaugurated last year, has overcome most of its teething problems and been grudgingly accepted by the public. After a period of consolidation, the company is back on the offensive.

This season includes two world premieres and tours to Frankfurt and San Francisco. The latest new production, Berlioz's *La Damnation de Faust*, was expertly cast and made ambitious use of laser lighting. It has been recorded - as will *Les Contes d'Hoffmann* (with Roberto Alagna) and *Werther* in coming months. With about half its productions released on video or compact disc, the Opéra has become one of Lyons' most powerful symbols at home and abroad.

Artistic director Jean-Pierre Brossmann says the key to the company's rapid development has been political will. Lyons' centre-right city council - headed by an opera-loving mayor, Michel Noir - actively promotes culture. Public subsidy accounts for 75 per cent of the Opéra's FF185m (£22m) budget.

"Lyons is not a rich city," says Brossmann. "It simply made a choice - to target social and cultural issues, to give people hope through education and culture. Opera houses are not just places for subsidised entertainment. They have a formative role to play in society. We have the ideas, but there has to be agreement between what we do and what the politicians are prepared to support."

The company has gone out of its way to make itself accessible. In its commissioning of new operas, it has tried to find works which are understandable rather than esoteric. It staged a special children's version of *Die Zauberflöte*. It also helped pioneer ticket enabling students to sample the work of the city's six main performing arts institutions.

Brossmann wants the scheme extended to the general public. He says opera companies must beware of tailoring their work to the preferences of regular opera-goers. "You have to mix your public, and cast your net as wide as possible. We try to unite in one building the best of each system - you could describe it as a bit of Covent Garden, a bit of English National Opera and a bit of Opera Factory."

It sounds like a model opera company, but the truth is different. The Opéra has won preferment at the expense of other cultural institutions. The Orchestre National de Lyon, for example, languishes in an unsuitable hall and now faces competition from the Opéra's high-profile concert series. The city was forced to axe its Berlioz festival and the equally short-lived festival of 19th-century French music.

The Opéra's new theatre is also far from ideal. You cannot deny Nouvel's achievement in packing so much into the original neo-classical shell - double the working space, double the number of performances. But the stage machinery still creaks, and the pit is irredeemably narrow. Front-of-house circulation is restricted by narrow escalators, and the unrelenting black decor makes it hard to see the steps. Even the toilets reek of designer conceit.

The high-tech appearance of the theatre goes hand-in-hand with the company's trendy production style, which aims to bring in as young an audience as possible. The policy is dressed up as "a fresh look at the classics" - there is not a single "traditional" staging in the repertoire - but the result rarely goes beyond a superficial gloss.

That was certainly true of Louis Erlo's abstract-minimalist treatment of *La Damnation de Faust*, the first new production of the season. Erlo's box of tricks included a frame of green lasers for Faust's study and a wall of illuminated red studs for the tavern scene. It looked sophisticated, but had little relevance to the dreamlike nature of the work. The opening



Artistic director Jean-Pierre Brossmann: 'The city simply made a choice'

scenes on the Hungarian plains were crude and static, and the portrayal of Méphistophélès as a voice in Faust's psychological make-up robbed the action of its headlong expressive potential.

At least the music had space to cast its spell - particularly in the choral scenes, where the warmth of sound bathing the stage was intoxicating (chorus master Richard Cooke). The orchestra responded keenly to Kent Nagano's direction, but one searched

in vain for the suppleness, spontaneity and sense of wilful engagement which mark out the true Berlioz conductor.

The cast, in vaguely modern costumes, was headed by the formidable trio of Thomas Moser, José van Dam and Susan Graham. For all his idiom, Graham's Marguerite, by contrast, was captivating - a picture of fragrant, unspoiled womanhood. Her exquisite carriage and golden timbre, the sensuous way she handled her props, the depth of feeling implicit in her singing of "Et combien je l'ai aimé" - it would be hard to imagine a more complete performance.

He still colours the words with exemplary skill, but his top notes have to be carefully managed, and his characterisation has lost its sting.

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Radio/Martin Hoyle

Being British in Borsetshire

Shula has sent Jill packing in new post-natal self-confidence. Jennifer has braved King's Cross in search of runaway Kato (didn't she realise the danger of exclaiming husband Brian, equating London N1 with Bihar on a Saturday night). Ellen is plotting to get Julia out of not-so-newly-wed Nigel and Elizabeth's hair. Pastebored characters mounching inert dialogue senaphore every unco-ordinated spasm of plot to an audience of potential imbeciles.

Country folk with phoney accents mollock in a rusticity that could have been created only in the heart of Birmingham. Stereotypes in stereo, caricatures in quadrophonic, reeking of patronising artifice from every pore, *The Archers* is the Barbie doll of radio drama: sleek, oddly mid-Atlantic, life-

less. And did I once see them plain? Twice, actually, once in a play with a mock village fête in the interval, once on an "Archers Weekend" in Worcester - I mean Borsetshire.

Common to both was a small figure with ferocious gnashers and gleaming spectacles whose smile exuded an alligator-like glitter: the then producer, loaded with Archers books on which he presumably earned royalties, hawking his wares with a vigour that uncannily predated subsequent BBC attitudes.

During an "any questions" session on our first evening,

someone asked reproachfully why he was going to ITV. "Would you believe £30,000?" he asked, teeth positively crocodilean.

In respectful silence we did. The *Archers* (Radio 4) is all things to all men. To urbanites it is rural (though as a country-reared child I found its yokels a townie joke). It reassures country people that they are in the mainstream of British life. "It sums up England," cried the bachelor park-keeper from Dudley who revealed that his bedsit was packed with Archers memorabilia. "There's been a murder," he smiled happily. "Doris was attacked once. It's typically British."

Like the gum-cocob-hour of Archers country the next morning, a nice lady from the local tourist authority told us she often cheered up convicts by quoting Housman during prison visits, but failed to elicit a similar response from us. Remembering the purpose of the trip, she pointed out the Am (of Ambridge fame). "Can't you see Nigel and Elizabeth in a punt?" she ventured recklessly. We did not dignify this with an answer.

Morning coffee in Felperham (strangely resembling

Evesham) was followed by lunch at Grey Gables (neither grey nor gabled though pleasantly Georgian) directed by Eddie Grundy in horned cowboy hat and conveniently placed body-milk, and tea at Brookfield (a lovely working farm, Jacobean plus additions, complete with duckpond). Tom Forrest, a scout businessman in a suit, signed autographs. The jodphur-clad Elizabeth excited a youngish man in flared hipsters, an Afro hairstyle and Zapata mustache. His girlfriend, apparently called Poodle, was vociferous in crushed cherry-velvet at the

"any questions". Of the often referred-to but never heard Shane, the effete wine-bar assistant, she demanded to know if he was a - a - Imp-wrist.

The panel thought she said "linguist" and five minutes of baffling cross purposes ensued. The Zapata teal reproached the programme for not mentioning the Andrew-Fergie engagement on the actual day. "It was like a punch between the eyes," he said, brokenhearted.

The *Archers* fulfils a function, like plastic or muzak or fish-fingers. Its careful drama-school delivery, laboriously simplistic plotting and characters that variously epitomise greed, smugbery and parochialism do indeed sum up much of Britain today. That is the most frightening thing of all.

Television/Christopher Dunkley

The jury is still out

To those of us who campaigned to get television cameras into the British Houses of Parliament it seemed that the battle might last a lifetime, and still be lost. Debates were held, politicians were told that the cameras would destroy tradition, seriousness, and reputation, the vote was taken, and the motion lost. It happened not once but over and over again.

Then, five years ago, MPs voted for an "experiment", the cameras went in, and it immediately became obvious that they would never leave. Television has extended the public gallery into every home in the land. Clearly it can do the same for our courts, but that battle is still being fought and it is, if anything, even more difficult since the judges do not have open debates or public votes on the matter.

However, BBC2 is currently transmitting a five part series which must, surely, carry the campaign forward. It is still impossible to film inside courts in England or Wales, but Scotland's most senior judge, Lord Hope, the Lord President, allowed cameras into Scottish courts to make *The Trial* which is now going out at 9.00 on Friday evenings. Nick Caffill, Ben Gale and Elizabeth Clough have produced a series which, at the start, put you in mind of the court coverage we have seen from major cases in the US and elsewhere. But anyone who watches the entire series will realise that there is much more to it than that.

This is not just five visits to the courtroom, let alone five

big "sexy" cases. The first programme did deal with murder, but last week's included shoplifting and evasion of a taxi fare (or anyway an associated charge of resisting arrest). Each programme stands up well on its own but watching all five gives you a fair - albeit sketchy - idea not only of the courts but of the Scottish system of justice. This does not seem so very different from England's, even if the Scots do have "Advocate Deputes", findings of "not proven", and judges' robes startlingly covered in big red crosses.

Last night's programme concentrated on the work of defence solicitors, and the last episode, on December 15, looks especially at the prosecutors from the Procurator Fiscal's department. So it is not a matter of merely taking cameras into court. The producers visit prisons, lawyers' chambers, and even the scenes of crimes, to eavesdrop on the conversations of the chief protagonists, or to film statements from those involved - though everything is presented "verité" with neither reporter nor voice-over. The effect is to make it more strikingly obvious than ever that, even when cameras do get into court, they are still invariably excluded from the place we most want to be: the jury room.

This is not just a matter of insatiable curiosity, it is a consequence of watching even the most complex cases edited down to fit into 50 minute

slots. At the end of the first programme, about a murder on a lonely footpath, a reasonable viewer would surely have said that, however guilty the defendant appeared to be, however significant his failure to go into the witness box, and however telling the presence of a watch said to be his beside the body, the prosecution had clearly not proved the case beyond a reasonable doubt. Yet a guilty verdict was brought in. The viewer was left to wonder whether the jurors were stupid or whether their decision would have seemed reasonable to the rest of us if television had broadcast the entire case.

The series illustrates what is known to anyone who has regularly attended court that the system is imperfect; that juries sometimes bring in the right verdict despite the evidence; that the guilty occasionally go free while the innocent are punished; that real people, including lawyers, are often poor public speakers, hesitating and stumbling and sounding nothing like the articulate paragons in *La Law*.

Some will argue that comments such as these merely prove that cameras in court bring the law into disrepute, but that is superficial. What we need, and what we shall surely have in the end, is the right to take cameras into any court (yes, with judges' rules to avoid misuse) and then enough time on one of the thousands of digital networks which are already technically feasible to show not 50 minutes of a case but 50 hours if that seems right.

Video/Nigel Andrews

On your own rollercoaster

Crash in an aeroplane. Be chased by dinosaurs. Escape from a computer laboratory with a deadly virus in your brain. Spend seven hours with Adolf Hitler. It is wonderful the things you can now do in your own living room. In the age of video you can also do them at your own whim and in your own time, not at the dictates of TV schedulers.

I listened to a radio discussion recently about the mental passivity of screen viewing versus the relative activity of reading. But can we accept this argument any longer? Because of the outrageous spectacles unfolding daily in our own homes, and our own role as accomplices with remote controls and interactive touchpads, are we hiding away to the age of the couch potato?

Jurassic Park (CIC) has now growled onto video, and every child who has seen it on the large screen will be seeing it again on the small. Why? Because those children can make now their own movie out of Spielberg's.

Aggressive youngsters will skip the more Disneyish dinosaurs and go straight for the T. Rexes. Peaceable children will prefer the former, and will linger over the cuddly whiskers of the Ricardus Attenburgesaurus. And evolution experts will savour, with sardonic smile, the chaos theory pronouncements of the boffin character (Jeff Goldblum). In short: whole new rhythms will be cut by everyone from Master Steven's original print.

Meanwhile adults watching Peter Weir's absorbing *Fearless* (Warner), the tale of a plane crash survivor (Jeff Bridges) wandering a rather world of memory and hallucination, may put the emphasis on the rewind button. This story needs much working out. Is Bridges actually alive or dead? If fetching Isabella Rossellini is Bridges' wife, why does he spend so much time with fellow crash victim Rosie Perez? Is this the real world - or the next? Unravel the film at home, with a freedom you never had in the cinema.

Contrarily, *Flans-Jurgen* Syberberg's *Hitler* (Academy) is a multi-technique pageant lasting seven hours: so we forgive you if you create your own "time-lapse" special edition.

Whizz along if you wish, at least on second viewing, with the FF button. Re-form the German director's rich kaleidoscope of devices and references - puppetry, newsreels, theatre sets, back projection, opera - into your own, even quirkier rollercoaster ride.

From video as recreation we are moving to video as re-creation. Indeed, children are already turning from the mild participatory challenge of the reissued movie into the terrifying combat zone - at least to my generation - of the interactive video game.

Burn: Cycle is the latest Digital Video mind-scrambler to dive into my CDI machine. Game scenario: I am Sol Cuter, computer data thief, and I have a virus in my brain. Using my joystick-equipped touchpad, I must escape Soft-tech Labs, shooting armed guards on the way, in order to get help. I have two hours. Can I make it?

Speaking for myself, I can barely make it out of the first room. On the first floor, and still at square one, I finally left the game in the hands of a friend, a major software troubleshooter at a UK computer firm. He is still trying to work it out. Fine production values, though: the images are *Blade Runner* out of 2001.

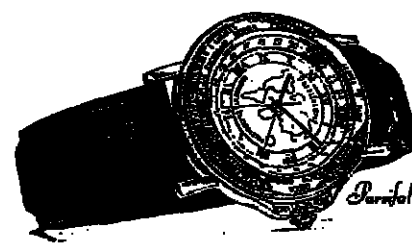
It is a brave new world, and it has stranger creatures in it still. For Christmas, if you feel you cannot inflict *Burn: Cycle* on family or friends, why not try Human Aquarium Productions? These moving-wallpaper videos allow you to watch naked human "fish" (*Girlfish*, *Boffish*, *Allfish*) swimming for hour after hour in the corner of your living room. I am not sure, or hesitate to guess, what interactive idea there is behind this.

Finally, two films for pure, innocent enjoyment. *Cool Runnings* (Buena Vista) puts a comedy spin on the true story of the Jamaican bobsled team at the 1988 Olympics. And *The Paper* (CIC), starring Michael Keaton and Glenn Close, is a high-energy comedy-melodrama about the newspaper business. Both are perfect for Christmas.

Stop Press. I have just broken through to the second phase in *Burn: Cycle*. Weird things are happening. Watch this space.



Precision movements



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CHES

CHANNEL4

Cafes and restaurants, the centres of *London chess* life 200 years ago, have recently seen a revival. While in the old days patrons of coffee houses enjoyed debate, gossip and friendly games, now the scene is more functional as experts try to improve their ratings and achieve master norms.

The *Cafe Baroque*, a restaurant in Southampton Street, off the Strand, has already hosted four international tournaments and plans more; while Burlington's *Cafe* is the grounds of *Charles House* was the venue for the *Stamton Memorial*, an event designed to publicise a campaign to raise funds for a headstone for the unmarked grave of *Howard Stamton*, the best English chessplayer of the Victorian era.

Organisers are usually too distracted by administration to perform well in their own events, but *Chris Dunworth's* IM result included this game with its subtle 23rd move (C *Dunworth*, *White*; N *Carton*, *Black*; *Burlington's Staunton 1994*.

1 d4 e5 2 c4 d5 3 e5 c5 4 c3 Nc6 5 Nf3 Qb6 6 g3 Reiving an idea from 30 years ago; *Black's* best is 5...c4 to halt *White's* Q-side pawns, as 7 Bg3 Bc5 8 0-0 cxd4 9 cxd4 Nxd4 10

Nc6! Qxd4 11 Nc3 a4 12 Nb5! Deftly switching into a favourite *Milner-Barry* central pawn gambit where *Black* has lost time.

Qxe5 13 Re1 Qb6 14 Qc5 Bde6 15 Qc3 Bxb2+ 16 Kd1 Ne7 17 Qg7 17 Qd4! Bc5 18 Bg5 is the best way to attack. Bc5 18 Bd2! Bd5 19 Rad1 Ng6 20 Nxd4! Qxd5 21 Bb4 Qf4 22 Qc5 Re8! 23 Kg1! To stop Bg2+, and with a concealed point, Qe7 24 Qc5 Qf4? 25 Bxe6+! fxe6 26 Bg2+ Resigns. *White* wins the queen. Without Kg1, *Black's* h4g5 would discover check.

No 1650

White mates in three moves, against all defence (by E Chasle). Be careful - there are traps for solvers.

Solution Page XXII

Leonard Barden

The Mistakes You Make at Bridge by Terence Reese and Roger Trénel has been re-published by Gollancz at 25.99. This excellent book highlights the errors we all make at times. Study this hand:

N		E	
♠ 5 3 2			
♥ Q J 6			
♦ J 5			
♣ A K 8 3 2			
W		E	
♠ K 7	♠ 10 8 6 4		
♥ A 10 7 4 2	♥ 8 3		
♦ 8 2	♦ 9 7 4		
♣ J 9 6 5	♣ Q 7 1 4		
S		N	
♠ A Q J 9			
♥ K 5			
♦ A K Q 10 6 3			
♣ -			

South deals at game all and bids one diamond. North says two clubs, South rebids three spades, and North says three no trumps. South now says four diamonds and goes six after five diamonds from North.

West leads heart ace, and another heart is won by the

king. Crossing to diamond knave, declarer ruffs a club, and draws the outstanding trumps. He crosses to heart queen, and ruffs a king of clubs. He can ruff another club, but has no entry back to dummy, so he leads a spade and finesses the queen. One down.

South should drop his heart king on the ace. He wins the next heart with dummy's spade knave, ruffs a club, crosses to diamond knave and ruffs another club. He draws the trumps, crosses to the heart queen, and cashes the two club honours. As clubs break he gets home with one spade, two hearts, six diamonds and three clubs. Could you have made the same mistake?

A new edition of the *Official Encyclopedia of Bridge*, £24, published by the ACBL is available. In its 800 pages, this great work includes everything. Apply to Bridge Book Service, Ryden Grange, Bisleigh Surrey, GU21 2YH.

E.P.C. Cotten

No. 8,627 Set by CINEPHILE
A prize of a classic Pelikan Souverain 800 fountain pen, inscribed with the winner's name for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers. Solutions by Wednesday December 14, marked Crossword 8,627 on the envelope, to the Financial Times, 1 South-
work Bridge, London SE1 9EL. Solution on Saturday December 17.

ACROSS		DOWN	
1	Intelligent about silver and gallium: acquire with transportable impediments (7,5)	3	Shes 14
10	Great (little) sword destroyed plant (?)	4	Where to get in at the end of a scandal? (4)
11	Salute of operation set after morning, events excepted (?)	5	Chart a snafu affected by spicy plant (10)
12	Black or brown island's returned (5)	6	Wardens of spicy jelly (5)
13	See 10	7	Small letter, not the commonest - half of one (?)
15	Female professor? (10)	8	Tell, by bits from newspapers, what will serve as a molch (5,3)
16	18 Begin with tea maker, the best in the show (4,4)	9	One might find heart's ease at the recreation ground (7,5)
20	Crime that solved with violence (10)	13	3 Harmonies George and Claude's effort in mathematics (10,5)
22	One member on the edge is in first place (5)	17	Fashionable elite to examine shawl when they come up (5,3)
24	Italian, not Italian (5)	19	Find the loss of safety device in organ pipe? (?)
26	Have Zambian city by boat (?)	21	Artistic medium, often with mechanical connection (?)
27	Historic opening of continent by bacteriology (?)	22	Contrasting to stu offering is a losing hazard (3,3)
28	... of the copper that is into something hard in mathematics (13,5)	25	Beginning of stu in primate may mean the end of the church (4)
DOWN			
2	Ask rising artist after a student in mathematics (?)		

SUNDAY

SATURDAY

SUNDAY

WBC RADIO 2
 6:00 Salsa Beat, 6:05 Brian Matthews, 10:00 Judd Spies, 12:00 Hayes on Saturday, 1:30-2:00 The Best of the Week, 2:00 Martin Muller on Saturday, 4:00 Emmylou Harris, 6:00 Marti Costello, 6:05 Phil Donahue, 7:00 Reading Music, 7:30 The Golden Days of Radio, 7:30-8:00 The Best of the Week, 8:05 David James, 9:00 Shelden Morrell, 10:05 Ronnie Holt, 11:00 The Best of the Week, 11:05 Charles News, 4:00 Salsa Beat.

WBC RADIO 3
 6:00 Open University: Countdown to Algebra, 6:05-6:30 The Best of the Week, 6:30-7:00 Recent Review, 7:00-7:30 The Best of the Week, 7:30-8:00 The Best of the Week, 8:00-8:30 The Best of the Week, 8:30-9:00 The Best of the Week, 9:00-9:30 The Best of the Week, 9:30-10:00 The Best of the Week, 10:00-10:30 The Best of the Week, 10:30-11:00 The Best of the Week, 11:00-11:30 The Best of the Week, 11:30-12:00 The Best of the Week, 12:00-12:30 The Best of the Week, 12:30-1:00 The Best of the Week, 1:00-1:30 The Best of the Week, 1:30-2:00 The Best of the Week, 2:00-2:30 The Best of the Week, 2:30-3:00 The Best of the Week, 3:00-3:30 The Best of the Week, 3:30-4:00 The Best of the Week, 4:00-4:30 The Best of the Week, 4:30-5:00 The Best of the Week, 5:00-5:30 The Best of the Week, 5:30-6:00 The Best of the Week, 6:00-6:30 The Best of the Week, 6:30-7:00 The Best of the Week, 7:00-7:30 The Best of the Week, 7:30-8:00 The Best of the Week, 8:00-8:30 The Best of the Week, 8:30-9:00 The Best of 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WINNERS 8,615: R. Brown, Hove; Mrs. B. Seely Ford, Leicester; Mrs. M. Middlemass, Lutter; J. Overill, Chatterham, Glos; Mrs J.L. Patching, Rotherham, S. Yorks.

Victor Mallet / Letter from Hanoi

Bites but no bark in a Vietnamese restaurant

Quang Vinh's restaurant was the ideal place for the ordeal to come. The palm-thatched house near the West Lake, on the outskirts of the Vietnamese capital Hanoi, was far from the accusing eyes of fellow-Englishmen.

It was dark outside. At one table, a Vietnamese couple were contentedly finishing their meal. At another, a man smoked a bamboo pipe. A television at the end of the room showed mildly pornographic Chinese videos.

But then came the moment of truth: could an Englishman eat a dog?

Could he do so without his stomach rebelling, without his thoughts

turning to labradors snoozing by Kentish fireplaces, Staffordshire bull terriers collecting sticks for children, and Pekinese perched on the laps of grandmothers?

One Englishman could: I ate roast dog, dog liver, barbecued dog with herbs and a deliciously spicy dog sausage, for it is the custom to dine on a selection of dog dishes when visiting a dog restaurant. The meat tastes faintly gamey. It is eaten with noodles, crispy rice-flour pancakes, fresh ginger, spring onions, apricot leaves and, for cowardly Englishmen, plenty of beer.

I had been inspired to undergo this traumatic experience - most un-British unless one is stranded with huskies on a polar ice cap -

by a conversation earlier in the week with Do Duc Dinh, a Vietnamese economist, and Nguyen Thanh Tam, my official interpreter and guide.

They were much more anxious to tell me about the seven different ways of cooking a dog, and how unlikely it was to eat dog on the first five days of the month, than they were to explain Vietnam's economic reforms.

"My favourite," began Tam, "is minced intestines roasted in the fire with green beans and onions." He remembered proudly how anti-Vietnamese protesters in Thailand in the 1990s had carried placards saying "Dog-eaters go home!"

During the Vietnam war, he said, a famous Vietnamese professor had

discovered that wounded soldiers recovered much more quickly when their doctors prescribed half a kilogramme of dog meat a day.

Dinh insisted I should eat dog in Hanoi rather than Saigon. "I went to the south and ate dog, but they don't know how to cook it like we do in the north," he said. I asked where the dogs came from. "People breed it, then it becomes the family pet." And then they eat it?

"Yes," he said with a laugh.

Something twitched in my brain, and then I remembered: years earlier, I had been eating roast lamb at a farmhouse in southern England when the farmer put down his knife and fork, turned to the children and remarked that Elizabeth was tender and tasty.

"Elizabeth?" I gasped. She was a lamb course that had been bottled and become a family pet.

In Hanoi I told myself that the urban British, notorious animal-lovers that they are, recoil particularly at the idea of eating dogs only because most of them never see the living versions of the pigs, cows, sheep and chickens that they eat in meat-form every day. And the French, after all, eat horses.

Resolutely unsentimental, we put aside our dog dinner and went to Vinh's kitchen. Two wire cages were on the floor; there was one large dog in the first and four small dogs in the second. Two feet away, a cauldron of dog stew steamed and bubbled.

Vinh told us about his flourishing

business. The dogs are transported from villages in a nearby province. A 10kg dog costs him about 120,000 Vietnamese dong, or just over \$10. At the end of the month - peak dog-eating time - his restaurant gets through about 30 dogs a day.

The restaurant, he said, was popular with Vietnamese, Koreans and Japanese. Squemish westerners were sometimes tricked into eating dog by their Vietnamese friends, who would entertain them at the restaurant and tell them afterwards what it was they had so heartily consumed.

"Groups of British people come here deliberately too," he volunteered. "One time we had four British women."

Intrigued by this glimpse into the dark, dog-eating side of the British character, my English companion and I looked around the kitchen. It was a mistake: a small black dog caught my friend's eye and looked at him soulfully. He felt guilty. He wanted to rescue the dog, which, he felt sure, must have smelt that this was a place where dogs were cooked.

My friend is a true Englishman. He has a pet dog and loves dogs more than cows and pigs: bacon is all right, dog sausage is not. But he must remain anonymous. I recalled that during the meal he had barely touched the food. "I am worried," he said, "that my friends in Halifax will think I want to eat their whippets."

Private View

A boy who was bitten by the Eurobug

Controversial German politician Karl Lamers talks to Christian Tyler about the origins of his proposals for the fast-track integration of Europe's hard core

He is the bogeyman of the Eurosceptics. His is the name anti-federalists utter when they want to frighten the children.

Karl Lamers has an appropriately wolfish look about him, with his craggy face and mouth full of teeth. But this German politician and thinker is more bitten than biting. Behind the teeth he is thoroughly civilised, humorous and human.

Lamers is touring European capitals to defend and explain the controversial ideas contained in a recent policy paper he co-wrote on the future of the European Union. Its call for a "hard core" group of states - Germany, France and the Benelux countries - to press ahead of the others with political and monetary union is considered not only pre-emptive, but shocking.

Lamers relapsed into German. "It is stupid to believe that one can live without ideas and without ideals. I don't regard it as negative if somebody thinks I have ideals. But I'd find it dangerous if they thought I *only* had ideals."

What experiences shaped your ideas?

"My father had a big influence even though he was buried on my ninth birthday. He was the victim of a bombing raid on Düsseldorf in November 1944. Even so he had awakened in me a very strong interest in history."

'I was lucky enough to be influenced only by people who felt no enmity'

For some British MPs, Lamers, the foreign policy spokesman of the German Christian Democrats, is a dangerous idealist living a federalist fantasy. Recently, a Tory MP snapped at him that it was "ridiculous" to imagine that a housewife at her ironing-board in Athens would one day be listening to a Norwegian Euro-budget minister on the radio.

Lamers looked patient. "If we don't develop the union she might be hearing something much worse," he said.

The German MP claims that his views are shared by most mainstream German politicians. Was he then, I asked, playing stalking horse for the narrowly re-elected Chancellor, Helmut Kohl?

He gave a lupine grin and changed metaphor: "I am not some kind of U-boat. We [the authors of the paper] say very openly what we do and some people in the government are not very happy about it."

Are you telling home truths about Europe which governments are unable to tell?

"Ja, natürlich. If this had been an official government paper I would have been shocked."

So, I said, you are a missionary among the uncivilised natives of Europe. An idealist?

"The second strong influence - maybe it's dangerous to mention this in Britain - was that I went to school with the Jesuits in Bad Godesberg for nine years. And the fathers really impressed me very much."

What did they teach you?

"Well, first of all they taught me how to think. Secondly, they taught me some philosophy. We had a very strict philosophy teacher, much feared, but outstanding. These fathers were all very European-minded and that made an impression on me."

So, of course, did Germany's plight after Hitler led it to defeat. "I personally did not suffer from hunger," Lamers recalled, "and we weren't bombed out. We didn't have to flee. I noticed that I was very lucky compared to my compatriots and Europe seemed a very natural and obvious continuation of my experience."

"I was lucky enough to be influenced only by people who felt no enmity. I think that was the biggest piece of luck. Neither at home nor anywhere else did people influence me against the British or the French or the Italians."

Lamers studied law and for many years was director of the

Karl Arnold Foundation, a political academy in Bonn. In 1980, he reached the Bundestag, representing part of West on the lower Rhine. He is married to a philosopher-novelist who is writing a book on Nietzsche. He likes gardening and thinks Schubert the greatest musical genius.

I suggested he might not know the hearts of ordinary Europeans. Were they not turning against the grand European project?

"That is a problem for all politicians nowadays. Politics has become a full-time job. Of course I try to have contact with citizens in my constituency and wherever else I can. If I lack knowledge I try and make up for it. I try to put myself into the shoes of ordinary people."

"But I've often had the experience that people don't want to be bothered too much by politics either, that they expect the politicians to do their job and do it well. They don't want to be asked all the time."

(Lamers deplores the Swiss enthusiasm for referendums.)

"I am very impressed by Burke: you can't constantly be going back to the people."

Lamers comes from a part of Germany, the Rhineland, which was always cosmopolitan. In the Middle Ages and Renaissance, before the rise of the nation state, the continent had been remarkably unified, he observed.

They didn't have a bureaucracy in the Middle Ages, I said.

"That's true. But bureaucracy is a consequence of our way of life and of our way of doing business."

"Why do we have a European bureaucracy? Because we have a common European reality. The internal market didn't create this. It's only the institutional consequence of the fact that we already have this web of relations, this reality."

I asked Lamers why German politicians wanted integration so badly.

"The nation state was not the 'aim' of history, he explained - for history has no aim. Furthermore, it had proved a dangerous institution. "Every state claimed to be the ulti-



mate judge of its own affairs; and if the state didn't get what it thought was its right, it took it by force. Of course, we know what that led to in Europe."

Nation states might survive, but their sovereignty was already "an empty shell."

Germany, finding itself in the middle of past conflicts, had tried to take control, with terrible results. Germany was again the strongest nation in Europe, and following the collapse of communism, it was once more in the middle.

So is Germany trying to save itself from itself?

"I know that theory. But no. It's not only a German problem, but a problem for everybody else as well."

You have talked about "disastrous consequences" if the project fails. What are you talking about - war in Europe again?

"No. At least not within the European Union. But if we are incapable of contributing to peace in our neighbouring countries, that is a disaster."

"And, of course, such conflicts could arise more often, and could extend further than, for instance, the Yugoslav conflict."

Is it a problem if Germany

develops what one might call a "to-prosperity sphere" in central and eastern Europe?

"Naturally it's a problem. It's a problem already. Half the foreign trade of our eastern neighbours is with Germany. For Russia that's not a problem, but for Poland it is. The Poles don't really want to get back into the same sort of dependency. Especially they don't want to be an 'object' between Germany and Russia."

"In the end, we always come to the same conclusion. Germany appears to lose most from European integration, not only in the monetary field but others. But, in reality, we can gain most. At the same time we believe others will gain, because the difficulties caused by Germany's being central were also the difficulties of all

its neighbours."

I said: It sounds an apocalyptic sort of justification for further developing something which, in historical terms, is already highly integrated.

"In historical terms, yes. But is it really sufficient for the present and the future? Compared with the past, of course, we have developed very far, incredibly far. But I don't think we have gone far enough."

Despite the outcome of the second world war, do you detect a kind of inferiority complex in the British and French leaders you talk to?

"If I thought that, then I wouldn't tell you. Because I would only make it worse. So please understand: I beg you not to make me say that sort of thing. I'm not saying it."

"What I do say - and I've already said it publicly in France - is that I want a strong France, a self-determining France. I also want a strong Britain and I don't want anybody to be afraid of Germany. Everything I do is determined by the need to destroy that sort of feeling, should it exist."

Are you afraid of Germany?

"No, no."

Or of certain developments inside Germany?

"Well, of course, I'm concerned about certain developments. If you're not, then you're blind."

Are you referring to racism?

"That, too. But I don't think it is a very big problem. The danger I see is that Germans will say 'Well, we are in a very comfortable situation, why should we work on continued European integration?' They don't have the vision to see the

real interests of Germany. They become egoistic, selfish."

"In Britain there are many who think - so I read in the papers - that we Germans are afraid of ourselves. But that's not the real reason. I am convinced that the Germans have learnt something from their history and I totally agree with my own people."

"I have absolutely no problem in being a German. Quite the contrary."



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As They Say in Europe / James Morgan

German dullness begins at home

A few weeks ago a German colleague rang the Berlin office for a fax of an item in the *Berliner Zeitung* relating to the thoughts of the finance minister Theo Waigel on the course of future taxation.

Instead, he got an article which referred to the long-standing relationship between Waigel, 56, and the sking star and Olympic silver medalist, Irene Epple, 37. That was a surprise, although anybody connected with the media knew of the affair, it was never publicly mentioned.

Then, in October, Waigel divorced his wife of 28 years, Karin, and on Saturday married his "companion". This was all much more interesting than the normal stuff of German news - political manoeuvrings in Saxony-Anhalt for example.

But when it comes to German news, German papers are

relentlessly boring. Imagine that a British chancellor of the exchequer had kept a sporting mistress for some years. Imagine the hullabaloo had he married her.

Yet, newspapers across Germany produced just one picture of the wedding on an obscure page. It showed the happy couple with Chancellor Kohl (left) and his wife Hannelore (right). The youth team of the local ski club made a brief such with their skis.

How much more interesting it would have been in Britain. The secret wedding date would never have been kept secret. There would have been television cameras at the home of the ex-wife; stories in the *Daily Mail* about "The minister who wronged me". Tabloid headline writers would have had a field day. Thunderous editorials would have accused the prime minister of letting down the nation, or not as the

case may be, had he attended the wedding that consecrated the illicit relationship.

But maybe there is nothing very interesting in finance ministers getting mixed up with skiers. Perhaps the British are mad or decadent for allowing similar concerns to occupy so much newsprint. But even a German would agree that such matters make for more lively reading than tales of interminable political manoeuvrings in Saxony.

Germany is dull only in the hands of German journalists. And German journalists make only Germany dull; when they get their hands on Italy or Russia they can produce fascinating material. But one learns more about a nation from what it writes about others than what it writes about itself.

Thus a few days ago there was a rollicking piece in the

Frankfurter Allgemeine about a northern Croatian town called Varazdin. It was by Johann Georg Reissmüller, who, although devoted to his native land, has had a long affair with Croatia. His story was headlined "Bourgeois, church-going, German-friendly". These, by the way, are all meant to be virtues.

The article was one of those patronising pieces which are much admired by a certain kind of German conservative who believes his eastern neighbours are longing for the day German hegemony reasserts itself throughout the region.

It told of how a distant town had been civilised by its close connections with German culture and, as a result, was now made up of diligent craftsmen, Franciscan churches, baroque organs and heroic defenders of faith and nation facing up to the Serb menace.

"The Varazdin chamber orchestra plays Bach's violin concerto in E major with seemingly German devotion," said the report. A few rosy-cheeked milkmaids and the picture would have been complete.

Had a French journalist gone to the same town, his or her report would have been about the resurrection of the Ustaše (Croatian fascists), and contained interviews with old collaborators and concentration camp guards. An Italian would have found an Italian family or ruin, a Brit a ski slope.

And so to Norway and its rejection of EU membership. For Germans, Norway is a kind of Germanic ideal. Thus the old Communist Party paper in Berlin, *Neues Deutschland*, said Ibsen was the victor. Like his heroine, Nora, Norwegians had refused to go back into the prehistory of

emancipation or risk their environmental perfection.

The business daily, *Handelsblatt*, put a Nordic dream into modern dress in analysing its isolation: "Yet Norway survives: oil, natural gas, waterfalls with power stations, fish in the Atlantic and ships on the oceans take care of that... everything tomorrow will be like yesterday for the people of the North Atlantic."

In Bavaria, the *Süddeutsche Zeitung* comforted itself with the thought that if Norway had refused, at least Sweden, Finland and Austria had not. "The three will bring nobility into the Community from outside and make it, one hopes, internally more respectable for the citizens." And put a stop, one hopes, to those unsavoury and unmentionable entanglements of Bavarian politicians.

James Morgan is economics correspondent of the BBC World Service.

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